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FINANCIAL TIMES

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NEWS SUMMARY

GENERAL

Rebels shot peace envoys

Four Rhodesian United African Council officials were killed last week while setting up peace talks in the bush.

The UANC did not give details of how the officials died or who was responsible. Unofficial reports reaching London said that they had been shot by guerrillas when they arrived at a pre-arranged venue near Fort Victoria to make peace overtures.

At the same time the Government announced that a further 37 people, including 19 black civilians, had died in the war in the previous 48 hours. Yesterday's casualty figures follow the mission massacre last Friday of 12 Britons.

Tory anger

In London, the Conservative Party is pressing for a Commons motion censuring Dr. David Owen, the Foreign Secretary, for his Rhodesian policy. The Tories are also seeking a major debate on Rhodesia before the summer recess.

Mrs. Thatcher, the Tory leader, is considering sending a personal envoy to Rhodesia on a fact-finding mission. Back and Page 18

Repatriation policy denial

Mr. William Whitelaw, Tory Home Affairs spokesman, said that a Conservative government would not adopt enforced repatriation of immigrants. Neither would it seek to introduce identity cards as a way of checking illegal immigration. Page 12

Yemen meeting

Arab League foreign ministers will meet in Cairo on Saturday to discuss recent events in North and South Yemen. Page 5, Editorial comment, Page 18

Prison report

The Advisory Council on the Penal System has proposed big cuts in prison sentences, in a report to the Home Secretary. Recommendations include maximum seven-year sentences for rape, kidnapping and hijacking.

Slander charges

Soviet authorities have released U.S. businessman Mr. Francis Crawford from a KGB jail but have ordered two reporters—from the New York Times and the Baltimore Sun—to answer slander charges. Page 3

Vietnam battles

Vietnam forces claim to have wiped out two Cambodian army battalions during a week of border battles inside Vietnam. Page 5

Peace talks

The Israeli Cabinet has authorised Mr. Ezer Weizman to try to resume peace talks with Egypt. An Israeli-Egyptian military alliance may be proposed, newspaper reports said.

Briefly . . .

Virginia Wade opened her defence of her Wimbledon women's singles title with a 6-1, 6-2 win over Elizabeth Ekblom, Sweden.

Fiji's Prime Minister has opposed Russian requests for an embassy in Suva because he fears the Russians might try to depose him.

Americans and Britons will not be able to understand each other's English in 200 years, says Mr. Robert Birchfield, chief editor of the Oxford English Dictionaries.

Britain will not use nuclear weapons against countries which do not have them, Dr. David Owen, Foreign Secretary, said.

A father and son were charged in London with conspiring to kidnap Dr. Mahmoud Suleiman Maghribi, a former Libyan Prime Minister.

Two Swedish tourists were killed and one injured when a young Russian went berserk with an axe outside Moscow's Intourist hotel. Page 3

BUSINESS

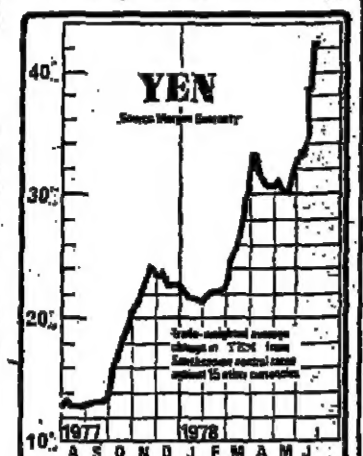
Equities rally: £ loses 20 points

● EQUITIES rallied in oversold conditions, generally closing at the day's best. FT 30-share index closed 3.3 up at 456.3. Gold mines index fell 0.5 to 157.6.

● GILTS staged a technical rally, with gains to ⅜. Government Securities Index rose 0.37 to 69.25.

● GOLD lost $¾ to $184¾.

● STERLING fell 20 points to $1.8475. Its trade-weighted index was 61.3 (unchanged). Dollar's average depreciation stayed at 6.8 per cent. In London dealing the yen eased slightly but later, in sporadic trading in New York,



renewed its climb to a new high of Y204.27 against the dollar.

● WALL STREET closed up 5.03 at 817.31.

● U.S. had its smallest trade deficit since September. May shortfall was $2.2bn against the $647.6m deficit in May last year. Back Page

● WEST GERMANY's trade surplus dropped sharply in May. Accumulated surplus for the first five months is lower than a year ago. French retail price index rose sharply again in May. Back and Page 3

● BRITISH insurance companies recorded a £20m loss on their motor account last year, the British Insurance Association says. Back Page

UK tops 1m barrels a day

● CRUDE OIL production from the UK sector of the North Sea has topped 1m barrels a day for the first time. Back Page

● GOVERNMENT has decided to extend for a further 12 months the 66⅔ per cent reduced rate of development land tax which was to have applied only until the end of the present financial year.

● GOVERNMENT may offer grants of up to £10m towards a sports car assembly plant in Northern Ireland. Back Page

● BARCLAYS BANK is to open its branch at Brent Cross shopping centre on Saturdays. NUBE believes Barclays will suggest Saturday opening at other selected branches. Page 8

● DECISION is near on whether Britain will build the world's first commercial plant making oil by distilling old car tyres. Page 9

COMPANIES

● STANDARD Chartered Bank pre-tax profit rose to £126.2m (£109.9m), including associated companies' £18.9m (£13.9m) for the year to March 31. Page 28 and Lex

● BAT INDUSTRIES forecast lower earnings for 1977-78 reflecting heavier tax and interest. Page 29 and Lex

● RENAULT ended last year with FFr 12m (£1.45m) net profit, against FFr 610.7m (£73.5m) the previous year. Page 33

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

Excheq. 9¾pc '82A	£91$\frac{13}{16}$	+ $\frac{7}{16}$
Excheq. 12pc '13-17 (£45 pd.)	£43⅝	+ ⅝
Albright and Wilson	160	+ 4
Beecham	638	+ 8
Bellway	68	+ 5
Brocks	76	+ 5
Brown (J.)	382	+ 6
Clark (M.)	138	+ 6
Comet Radiovision	123	+ 5
Cullens A	122	+ 14
Econa	70	+ 5
Elliott (B.)	122	+ 6½
Glaxo	548	+ 8
Heath (C. E.)	252	+ 12
IC Gas	355	+ 17
Joseph (L.)	197	+ 7
Leslie and Godwin	112	+ 5
London Pavilion	630	+ 20
MFI Furniture	98	+ 4
Nat. Carbonising	42½	+ 3½
Silentnight	95	+ 7
Smith (D.)	97	+ 11
Turner and Newall	175	+ 5
Warwick Eng.	31½	+ 4
Willis Faber	257	+ 10
Siebens (U.K.)	344	+ 26
Guthrie	290	+ 5
Pacific Copper	46	+ 4

FALLS

BATs Dfd.	270	− 4
Bowater	187	− 4
Chubb	137	− 4
Hunting Gibson	133	− 12
Lon. and Prov. Poster	177	− 11
OK Bazaars	415	− 25
Waddington (J.)	200	− 6
Anglo Utd. Devs.	203	− 33
De Beers Dfd.	395	− 12
Northern Mining	96	− 11

BSC chief warns of danger to UK's bulk steel output

BY CHRISTIAN TYLER, LABOUR EDITOR

Britain might cease to be a bulk steelmaker unless there was a very big improvement in the British Steel Corporation's performance, Sir Charles Villiers, the chairman, warned yesterday.

He told delegates to the annual conference in Scarborough of the biggest union in the industry, the Iron and Steel Trades Confederation, that Governments of neither party would go on pouring in money indefinitely. The corporation had to reach viability by 1980 or there would be pressure on politicians to divert public funds elsewhere—into schools, hospitals or defence.

But Sir Charles' appeal and warning to the workers to co-operate or die, the strongest statement he has made since taking the job, almost immediately met rebuff from the 140 delegates after an explosion of feeling about the closure of older steelworks.

With Sir Charles still in the hall and Mr. Eric Varley, Industry Secretary, on the platform, they voted with only one against for a militant resolution from the Bilston plant in Staffordshire, which is the latest to face the axe.

The emergency resolution said that the closure of plants not on the list drawn up by former Industry Minister Lord Beswick, should not be allowed, and that unions everywhere should not handle materials or orders switched from Bilston or other "non-Beswick" plants.

According to Bilston stewards the TUC is being asked to agree to closure of steelmaking on October 30 and of rolling mills by March 1979, with loss of 2,400 jobs.

Although the conference is advisory only, Mr. Bill Sirs, the general secretary, made it plain that he wanted the conference to decide how further closures should be resisted.

"I don't want to engage in a wholesale strike, but if you pass this you are giving us leave to do so. But we do not want to jeopardise the chances of a Labour Government," he said.

He and other speakers, including Mr. John Donovan from East Moors, warned that whatever the union said, workers might be tempted out by high severance payments, as they had been already at Clyde Iron, Hartlepool, East Moors and Ebbw Vale.

Even at Shelton, where steelmaking shut down on Friday, and despite an eight-year campaign by stewards, many workers had asked to go.

All these plants, however, were given temporary reprieve by Beswick, but were known to have limited life.

Sir Charles had told the delegates: "I am saying, as seriously as I can, that unless we improve performance all through BSC, as we have already done in some vital areas, and become competitive in every way, the future of bulk steelmaking in this country is in danger, doubt and jeopardy."

He did not include special steels in his warning. Pointing out that the corporation's share of the home market had dropped to 55 per cent, he said: "If we let this international competition in on our home front any further they will swamp us, so look out.

"This is no empty warning, nor the Gipsy's warning. This is for real."

He urged the union to accept the bulk of a blueprint for industrial democracy to be discussed at top level next month, and warned that the offer from the Government of six trade union seats on the main Board, which Mr. Varley said could be achieved by the end of July, should not lead to politics or sectionalism at the top.

He urged the workers to devote all their energies to the product, both in terms of quality and delivery.

But his speech was overshadowed by the delegates' anxiety. Mr. Sirs told Sir Charles as he gave him a statuette of the "Steel Man of Shelton" that the closure marked "a breakdown in relationships."

Mr. Varley, relying hard on the union's fear of a Conservative Government, not only escaped approbrium but received a standing ovation for his speech.

He, too, asked for co-operation and promised consultation with the unions at every turn.

Behind the angry words is the conviction of many shop stewards that BSC's strategy of concentration on big coastal sites is wrong, and that older works can be made into flexible modern mini-mills to emulate those in the private sector.

Senate passes amended tax treaty with Britain

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, June 27.

THE U.S. Senate today ratified the Anglo-American Double Taxation Treaty shorn of its most controversial element — clause 9.4 exempting British companies from the need to pay the state unitary taxes levied in California, Oregon and Alaska.

Today's vote was an overwhelming 82 in favour and five against. Last Friday, the Senate had failed to give the treaty the necessary two-thirds majority by five votes, largely because of objections that the right of States to tax in any way they think fit was being contravened.

The unitary tax system uses a formula based on a company's world-wide income and not merely on business generated inside the state.

The next move is now squarely up to the British Government, since Parliament has already passed the treaty in its original form, as drafted at the end of 1975. The British options are either to renegotiate the treaty, which contains significant concessions to American investors from the obligations of advanced corporation tax or to submit to Parliament a protocol to the treaty along the lines of the U.S. Senate version.

Senator Jacob Javits, the New York Republican, expressed the hope during this morning's perfunctory debate that British MPs "will see it as we see it. I hope they will approve this treaty or negotiate another treaty, or a protocol to the treaty."

Today's passage was assured once the U.S. Treasury had said last Friday that it would not object if the unitary tax exemption clause were deleted.

British officials here said the Treasury had been "contrite" about this but had argued that "it was better to have half a loaf than nothing at all."

In bowing to political reality, the Treasury was also clearly weighing the importance of the treaty as a general model for subsequent conventions.

The Anglo-American pact is considered something of a pioneer in its field and resembles closely the OECD's model double taxation convention on income and capital published last year.

On the Senate floor this morning, Senator Alan Cranston, the assistant Democratic leader who represents California, held out the hope that the State itself might pass legislation mitigating the impact on foreign companies of unitary taxation.

But two such Bills have died in the California Assembly in the last month and cannot be revived until next year. Moreover, it is strongly felt in California that there is next to no chance for any Bill which further cuts State revenues and benefits corporations.

David Freud writes: In the UK there were immediate calls for the whole treaty to be renegotiated.

The Confederation of British Industry said this was "a matter on which a stand must be taken." The Senate's action, it said, was an open invitation to other countries to adopt similar policies.

The CBI's tax committee was seeking an immediate meeting with the Inland Revenue in which it would press for a renegotiation of the treaty, regardless of the delays this would involve.

Editorial comment, Page 18

Three may beat dividend curb

FINANCIAL TIMES REPORTER

THREE PUBLIC companies decided yesterday not to wait for Government guidance on future dividend policy by announcing their intention of paying shareholders substantially more.

So far the Government has refused to give a clear decision on whether dividend ocntrol will be extended after the present legislation expires on July 31.

Most companies have been assuming that they will be allowed to increase their dividends by up to 10 per cent and say that if ocntrols are lifted, they will top up the payout.

Now, Imperial Continental aGs Association, Tecalemit and Halma have decided to assume that controls will be lifted. If they are not, resolutions will have to be passed cutting the payment by the required amount.

IC Gas said it intended to pay 50 per cent more, while Tecalemit plans to increase its payment by 70 per cent and Halma by 100 per cent.

In each case, the annual meetings are being held early in August.

The guessing game over the future of dividend controls has been going on for some months. The Government made a statement in Parliament last Thursday when the subject was raised by the Conservatives.

Mr. Michael Foot, Leader of the House, said: "I don't believe there will be any necessity for fresh legislation. The Government is still considering the matter.

"A number of factors have to be carefuly considered as part of the Government's general approach to counter inflation. A statement will be made at the appropriate time."

The main question is whether the lapsing of the controls will be acceptable to unions when Ministers are exhorting them to restrain wage demands over the coming year.

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FEATURES

For latest Share Index 'phone 01-246 8026

New U.S. bid for Lloyd's broker

BY JOHN MOORE

FRANK B. HALL, the third largest quoted U.S. insurance broker, has devised a £24m takeover bid for a Lloyd's broker, Leslie and Godwin, which will gain Lloyd's of London approval. An announcement is expected on Thursday.

The latest move comes over two months after Hall's original bid for Leslie—which promised a cash offer at a significant premium to the then suspension price of 93p—was blocked by the Committee of Lloyd's.

In a controversial ruling much criticised in insurance markets both sides of the Atlantic, the committee said that "no outside insurance interest may normally hold more than 20 per cent of the equity seeking recognition at Lloyd's."

Latest

Outside insurance interests were defined as "an insurance company, an underwriting agency, or a non-Lloyd's broker."

A possible framework for the latest bid to be acceptable to the Committee of Lloyd's is for Hall to make a full bid for Leslie, then to put the Lloyd's broking interests into a subsidiary and sell that off to a party vetted by the committee.

If that were to happen, Lloyd's might agree to Hall holding a 25 per cent stake in the new subsidiary, with possibly Rothschild Investment Trust, which holds 10.5 per cent of Leslie's equity and has had an association with the group for several years, holding some of the balance. But final details of the proposed Hall bid have yet to be worked out.

Whatever happens, Lloyd's is determined not to change its ruling, and would not need to under the new arrangement. The only relaxation that might be possible is to allow Hall to own 5 per cent more than the permitted levels in the Lloyd's broking interests. At all costs Lloyd's is determined that these should remain U.K. controlled.

Statement

Mr. Ian Findlay, Lloyd's chairman, said in his annual statement last week that "it is necessary that the control of firms operating in the Lloyd's market should rest firmly in the hands of people who have long experience with the workings of the Lloyd's market.

"If control passes to groups outside the community then the effectiveness of the market's self regulatory powers might be eroded."

£ in New York

—	June 27	Previous
Spot	$1.8490-8560	$1.8475-8485
1 month	0.50-0.44 dis	0.41-0.36 dis
3 months	1.42-1.56 dis	1.36-1.55 dis
12 months	5.30-6.10 dis	5.10-4.90 dis

Energy policy rift before EEC summit

BY GUY DE JONQUIERES, COMMON MARKET CORRESPONDENT

LUXEMBOURG, June 27.

EEC EFFORTS to define a comprehensive common strategy for economic recovery before next month's Bremen and Bonn summits were clouded today by sudden emergence of disagreements between Britain and other governments over energy policy.

The differences, about oil refinery policy, are essentially technical. But they were serious enough to prevent Foreign Ministers of the Nine from agreeing here on the text of a statement on energy to be submitted to EEC Heads of Government when they meet in Bremen on July 6 and 7.

Unless the dispute can be resolved by then the EEC will be hard put to preserve an outward appearance of unity on energy questions to the U.S. when President Carter meets leaders of five Western nations and Japan in Bonn in mid-July.

Problems

In other respects the Nine were able to agree on broad statements on the objectives of higher economic growth, stabilising currencies, combating unemployment and protectionism restoring industrial competitiveness, and improving relations with the developing world.

Though the aim of 4.5 per cent average annual growth rate by mid-1979 has been formally retained, West Germany has made no secret of her doubts about the value of such objectives, and has stoutly resisted attempts to fix individual growth targets for each of the nine economies.

Mr. Roy Jenkins, President of the European Commission, told the Ministers that more progress had been made so far in discussing ways of stabilising currencies than in stimulating economic growth.

The dispute over energy policy centres on the precise wording of a reference to the refining sector.

Italy, and to a lesser extent France, have insisted that the text explicitly link the level of EEC refinery capacity with the level of demand for oil products.

This proposal has been strongly resisted by the UK, which clearly sees it as a tactic aimed at giving the Community power over its refinery sector.

Britain is angered by Italian attempts to link demands for EEC aid to her troubled refineries to a Community proposal to provide almost £200m in financing for EEC steam coal production in the next three years.

Dr. David Owen, the Foreign Secretary, came close today to saying that the UK would block all further attempts to reach an EEC energy policy unless the steam-coal financing scheme was approved.

The other elements of the energy policy paper have been generally agreed by the Nine.

Dr Owen delivered a strong attack today on the way in which the EEC's competition policy was applied by the European Commission, and renewed criticism of the protectionist characteristics of the Common Agricultural Policy.

He said that a fairer balance should be drawn between enforcement of competition laws and EEC efforts to combat unemployment.

Claiming that the EEC competition rules were based on outdated economic realities, he said: "The idea that this is a laissez-faire Community is total nonsense.

"There is apprehension in the trade union movement that the Community is insensitive to unemployment. If the Community gives that image, it will be severely damaged."

Company law move

BY MICHAEL LAFFERTY

EEC FOREIGN Ministers in Luxembourg last night approved a new directive on company law which will have a substantial impact on the way UK and European companies present their annual accounts.

The measure is known as the fourth directive and is intended to go some way towards harmonising company accounting practice throughout the European Community.

It lays down standard formats for company balance sheets and profit and loss accounts, allowing but not requiring member states to have less demanding rules for small and medium-sized companies.

Small companies, for example, are exempted from having to have an audit or publish a profit and loss account, while medium-sized companies need not disclose their turnover. Both categories are permitted to publish abbreviated balance sheets.

The directive will have to go into British company law within two years. Although the directive is only meant to cover individual company accounts it is thought likely that it will be implemented in the U.K. as applicable to consolidated accounts.

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EUROPEAN NEWS

Giscard for EEC talks in Madrid

BY DAVID WHITE

PARIS, June 27.

PRESIDENT VALERY GISCARD d'ESTAING tomorrow becomes the first major Western leader to visit Spain since its return to democratic government.

During a three-day visit, the French President will have separate talks with King Juan Carlos and Sr. Adolfo Suarez, the Prime Minister. Since the death of General Franco, the French Government has placed its bets firmly on the King's ability to steer Spain through its political difficulties, and clearly wishes to capitalise on its special relationship.

On the other hand, reservations have crept into France's attitude to Spain as a future co-partner in the EEC. The French Government has always backed Spanish entry. But President Giscard, in an interview with the Spanish news agency EFE, made clear that "the candidature of a great country like Spain poses serious and delicate problems."

Negotiations, he said, would have to "avoid anything that could disturb sensitive economic sectors in France and Spain."

On bilateral issues, he said there were no problems on which the two countries had fundamentally different points of view. The visit has been preceded by the successful conclusion of a military aircraft deal, in which Spain will partly co-produce 48 Mirage interceptor jets for its Air Force.

A statement by the Elysee Palace spokesman carefully hedged around the question of Spanish entry. "For France, a member of the European Community," the spokesman, M. Pierre Hunt, said, "the visit will provide an opportunity to mark democratic Spain's essential contribution to the building of Europe."

The kernel of the entry problem, the prospect of Mediterranean farm produce flooding into France's captive markets, will be discussed by M. Pierre Mehaignerie, the Agriculture Minister, who is accompanying the President along with M. Louis de Guiringaud, the Foreign Minister, and M. Andre Giraud, the new Industry Minister.

Spain begins to move against the extreme Right

BY ROBERT GRAHAM IN MADRID

THE EXTREME Right appears to have a near monopoly of daubings and graffiti in central Madrid. The fasces, the traditional fascist symbol, is sprayed on many a wall alongside patriotic slogans or sometimes rumbustuous rhymes denouncing the Left.

In the more fashionable parts of Madrid, there is a certain type of youth who deliberately sets out to ensure that he is identified with the extreme Right, especially the main group, Fuerza Nueva, and its more militant arm, the Guerrilleros de Cristo Rey (Guerrillas of Christ the King). They wear centre-parted hair, 1930s style, and prominently displayed golden crucifixes.

These are the more obviously evident supporters of a grouping that believes that democracy is the ruin of Spain and of Church, army and State, the values which Franco fought to uphold. They are a frustrated bigoted minority, recruited among ageing stalwarts of the Franco regime, the armed forces and the security forces, among parts of the aristocracy, and segments of urban youth.

Until recently the Government treated them with kid gloves, almost too anxious not to interfere with their activities to avoid disturbing the delicate transition from dictatorship to democracy. Little effort was made to prevent meetings which sought to pay homage to Franco. For instance Sr. Blas Pinar, the veteran political figure and leader of Fuerza Nueva, has never been prevented from organising gatherings where the fascist salute is given and calls are made for a return to authoritarian rule. Bands of fascists have got away with bombing left wing bookshops, and lesser incidents, such as molesting persons carrying left wing publications in the streets, have gone unnoticed.

Within the last month, however a number of pointers have suggested that things are changing a little. A photographer for the liberal daily, El Pais, while photographing a demonstration organised by the extreme Right in Madrid, was beaten up by demonstrators in sight of a police patrol. The patrol did nothing. When the photographer went to the nearest police station to report the incident, the police officer showed no interest in following up the matter. Such incidents were not uncommon in the past. The novelty was that after protests from the paper, members of the police patrol were disciplined.

There are more significant pointers. Three weeks ago the Government announced a ban on the wearing of para-military uniforms and decreed that the yellow and orange national flag might not be used by political parties as their own symbol. This measure was aimed especially at the extreme Right who insist on using the national flag as though they are the true heirs of the Spanish colours, and who have a penchant for attending demonstrations in para-military uniforms. The authorities have also begun to impose heavy fines on fascist meetings which cause disturbances.

There is also evidence that the lenient treatment by the courts of fascists for offences against the Left is beginning to end. A Fuerza Nueva sympathiser in Alicante who last year threw a brick killing a communist putting up posters to celebrate Andalucian Day was given 12 years in prison plus a Pts 1.5m (£100,000) fine. Earlier this month a court ruled that leading members of the extreme Right, including Sr. Pinar and Sr. Sanchez Covisa, the leader of the Guerrilleros de Cristo Rey, must give evidence in a civil action brought by relatives of five communist lawyers murdered in their Madrid office in January, 1977. Previously an application that they should give evidence had been rejected.

The authorities appear to be making some effort to prevent members of the armed forces and the police from participating in Fascist demonstrations. At the end of May publicity was given to the transfer of nine gendarmes from San Sebastian who had allegedly played a part in a demonstration. The Defence Ministry is understood to be investigating an incident on May 27 when a senior General in the Foreign Legion took part in a ceremony laying flowers at Franco's tomb — an act deliberately timed to coincide with the celebration of Armed Forces Day in Madrid.

The authorities are starting to take off their kid gloves in dealing with the Right—a move apparently backed by the King.

Interpretations differ widely of the significance of all this. One view is that having suffered a resounding rejection in the elections in June, 1977, the extreme Right is reorganising round Fuerza Nueva and beginning to flex its muscles, to force the Government to respond; and further that the tactics are to provoke the Government into some action which might bring Fuerza Nueva more potential supporters. While it is true that Franco left behind no proper political organisation to represent his ideals and that Fuerza Nueva is trying to fill the vacuum, these hypotheses almost certainly over-estimate the political acumen of the extreme Right, and its real strength.

The Alianza Nacional, a loose alliance of the main Franquist personalities and Fascist groupings, got 0.47 per cent of the vote at the elections last June. Sr. Manuel Fraga, the leader of Alianza Popular, obtained only 8 per cent of the vote, largely because it seemed he was tarred with a Franquist brush. Since then the influence of the Fascists has depended on a perhaps excessively cautious approach by the Government to those persons who were associated with the ideals of the former regime. As the democratic process has consolidated in Spain this fear has been gradually reduced—particularly as it has become apparent that the armed forces, albeit kicking, are accepting a parliamentary democracy. In other words the spectre of military support for opposition to democratic change has begun to expose the extreme Right for what it is—a vociferous minority increasingly out of tune with the rest of the country.

Fortified by this realisation, the authorities began to take off the kid gloves some five weeks ago. Perhaps it was no coincidence that this coincided with insults shouted at the King by guests invited by the army to a ceremony of homage to the national flag (attended by all the political parties including the Communists); and further abuse hurled at the defence minister the following day during the celebration of Armed Forces Day. The King has played an important behind the scenes role by assuring the armed forces that he considers the democratic course to be in their best interest and that of the country. Therefore those who do not accept this view are being eased out of important positions. Moreover the Government now seems to have royal backing for moving against the extreme Right.

It is also interesting that Sr. Fraga, anxious to improve Alianza Popular's electoral prospects, is doing his best to remove himself from any connection with the extreme Right and by so doing woo away members of the ruling Union de Centro democratico who have been disillusioned by the policies of the centre and centre-Left adopted by Sr. Adolfo Suarez, the Prime Minister. This too tends to isolate further the extreme Right. Al Alcazar, a daily newspaper which normally speaks for the extreme Right, itself appears none too happy with the thuggish image of Fuerza Neuva, and recently even went so far as to publish on its front page a big photograph of the supposed attackers of the El Pais photographer in an effort to trace them.

However the fact that three weeks have passed since this incident took place, and the attackers have yet to be picked up, suggests that it is still relatively easy for known members of the extreme Right to carry out thuggery unchallenged. It would be unrealistic to assume that the authorities, with their kid gloves removed, will now put on boxing gloves instead. The initiatives so far have been cautious and circumspect. For instance no one—Left or Right—could really fault the banning of the national flag as a party symbol: the authorities argued that it was the flag of all Spaniards a principle agreed to by all parties in the constitutional talks. Sr. Suarez has made a beginning towards removing the remnants of Francoism, he still has a long way to go.

Dutch MPs cleared of tax law accusations

By Charles Batchelor

AMSTERDAM, June 27.

POLITICIANS in the Lower House of the Dutch Parliament did not use inside information of a change in the tax laws to gain an unfair advantage, according to a special investigative commission.

Three MPs in the last government and one former Minister admitted taking out "single premium" insurance policies in the year before the law was changed to reduce the tax benefit. But none misused foreknowledge of the change in the law which took effect on November 15, 1975. None of the other 182 politicians who co-operated with the three-man commission enjoyed any tax advantage from such a policy, the report, concluded.

Four politicians refused to co-operate with the commission and one was unable to because of illness. The politicians who took out the insurance policies were Mr. Tjerk Westerterp, the then Transport Minister, Mrs. Ton Lueckers-Bergmans, Mr. Joop van Elsen and Mr. Hans de Koster. All were members of the Christian Democratic Party, which is now the senior government coalition partner.

Only Mr. Westerterp and Mr. van Elsen took out the policies with the main aim of gaining the tax benefit, the commission said. It will now continue its investigations among members of the Upper House of Parliament.

The decision to investigate was taken in February after senior tax inspectors claimed in a letter to Parliament that 46 MPs and members of the previous government had acted improperly, although not illegally, in taking out the insurance policies. The tax inspectors based their claim on a report in a Dutch newspaper.

Mr. Wim Aantjes, leader of the Christian Democrats in the Lower House, said the Commission report showed that the accusations had been untrue. The Christian Democrats viewed the accusaton as an attempt to blacken the party's name before the provincial elections last March.

● Holland suspended minimum fares for charter flights between Amsterdam and the U.S. until September 14, when they will be reviewed, the Dutch Transport Ministry told Reuter in Amsterdam.

A Ministry spokesman said the move followed protests by tour operators and aircraft charter companies aganst the introduction fo new low fares betweeen Amsterdam and Boston earlier this month.

Surcharge on Barcelona cargoes

BY DAVID GARDNER

BARCELONA, June 27.

A GO-SLOW by dockers in the port of Barcelona has led to a 10 per cent surcharge being imposed by two international conference lines.

Port authority officials say that since the go-slow began on May 4, dockers' productivity has fallen by almost 60 per cent. The volume of cargo passing through Barcelona during the first five months of this year is down 15 per cent on the comparable period of 1977.

The U.S.-based Melgulf and Iberian conference lines have introduced the 10 per cent surcharge and the West Coast conference is reported to be contemplating similar action. The measures are expected to accelerate the tendency to reroute traffic through neighbouring ports to avoid Barcelona's prohibitive costs.

Barcelona is not, Spain's main port in terms of volume, since it has no refineries, like the smaller Paragona nearby, nor heavy industry like Bilbao or Valencia. It is, however, a principal outlet for manufactured and semi-finished goods, and local industrialists are concerned that contracts may be lost if the dispute continues.

The dockers are ignoring productivity levels arrived at by Government arbitration. They are paid on a piece-work basis, and are incensed at what they regard as insufficient provision for payment during hold-ups for which they are not responsible. In addition, they insist on minimum manning levels, and an end to the practice of crews doing the work of dockers.

The situation was soured when a docker was killed by a falling bale two weeks ago, and a solution is made difficult by the structure of industrial relations in Spanish ports. Ultimate responsibility for the ports is divided up between the Ministries of Labour and Transport, and the navy. On the labour side, none of the main trade unions has won control over Barcelona's 1,800 dockers, who conduct their affairs by assembly.

There have been stoppages at several Spanish ports this year, notably in the Canary Islands. The Barcelona dispute is proving the most intractible, and potentially the most damaging when local industrialists are seeking to compensate for depressed demand at home by increasing exports.

Portugal trade deficit

Portugal showed a trade deficit of $892m in the first four months of 1978, an increase of 50.7 per cent over the same period last year, the National Statistics Institute said yesterday, AP-DJ reports from Lisbon. Remittances by emigrant workers abroad increased to $422m from $265m in the same period. Receipts from tourism rose slightly to $23.5m from £23m.

IMF negotiations on Rome credit open

BY DOMINICK J. COYLE

ROME, June 27.

A TEAM from the International Monetary Fund is due here tomorrow to review progress under the Italian Government's letter of intent of April last year and to open formal negotiations for a new stand-by facility of at least $1bn.

Sig. Filippo Maria Pandolfi, the Treasury minister, has already indicated that Italy hopes to negotiate new facilities with both the IMF and the European Economic Community, the combined amount being, it is understood, some $2½bn.

The country is in no immediate need of international loans after the marked improvement in the balance of payments account last year, a trend which has continued in the first months of this year. Italy has met on schedule its repayment commitments on earlier EEC and West German Bundesbank fundings, and the country's gold and foreign currency reserves at the end of May were in excess of $21bn.

The improvement in the payments account results from a number of special factors, including a marked reduction in the crude trade deficit last year, mainly as a result of a contraction in imports resulting from industrial recession. The deficit in January-April this year was L388bn or roughly one-fifth of the figure for the corresponding four months of 1977.

Additionally, there has been a useful improvement in the terms of trade together with a sharp rise in earnings on the invisibles account, mainly tourism and emigrant remittances. Nonetheless, the boost to Italian export competitiveness of the 1976 devaluation shows signs of having worked its way through the system, while Italian wage levels are continuing to rise in real terms—by an estimated 7 per cent last year.

The minority Christian Democrat Government of Sig. Giulio Andreotti, which depends for its survival on the parliamentary backing of the Communists and other opposition parties, is committed to getting the economy growing by the last quarter of this year as an annualised rate of 4½ per cent. This could result in major restocking, a sharp widening of the trade deficit and resulting strains on the exchange rate sometime next year. It is with this possibility in mind that the authorities are seeking to negotiate new stand-by facilities.

The IMF team will be looking carefully at such a risk, but of more immediate concern to the mission, headed by Mr. Alan Whittome, are indications that the enlarged public sector deficit in the current year will be far above the level set in April, 1977, at the time of a further Italian drawing from the fund of $530m.

The letter of intent at that time contained an undertaking to limit the enlarged deficit this year to L14,500bn (£9bn) but the likely 1978 outturn has been progressively increased, first to L19,000bn and most recently to L24,000bn. On the basis of unchanged policies—and Sig. Pandolfi is to introduce a supplementary Budget soon—the enlarged deficit is understood to be running in excess of L30,000bn (about £20bn).

The preliminary indications for 1979 are a great deal worse, the latest private Treasury estimates being as high as L43.5bn on the basis of what officials describe as the most pessimistic assumption.

More tourists in Switzerland last winter

By John Wicks

ZURICH, June 27.

IN SPITE of the high Swiss franc exchange rate, tourist traffic increased in Switzerland last winter. Hotel Bednights, which had recorded a 2 per cent upturn in the previous winter, rose by 5 per cent in the 1977/78 winter season to some 13.5m. There was a 7 per cent growth in hotel occupation by foreign visitors, with above-average increases of 16 per cent on the part of West German tourists and 12 per cent for visitors from the U.K.

The good showing is attributed largely to the generally favourable winter sports conditions during the season and to the large degree of stability in hotel prices. However, the profitability of Swiss hotels is said in a Government report to be "unsatisfactory." This is doubtless in view of the necessity to stop Swiss franc prices from rising.

FRAB BANK INTERNATIONAL

On June 12th, 1978, Frab-Holding and FRAB - BANK INTERNATIONAL Ordinary General Meetings were held to approve the accounts for the financial year 1977. These accounts show a net profit after tax of FF 10,385,674 for FRAB-BANK as compared with FF 214,529 in 1976. The dividend was set at FF 900 per share, to which a tax-credit of FF 450 is to be added.

On the occasion of these meetings, and the subsequent respective Board of Directors Meetings, Mr. Yves Bernard General Management Adviser of Société Générale and Head of Middle-East Department in this Bank, was appointed Chairman General Manager of FRAB-BANK INTERNATIONAL and Vice-Chairman General Manager of Frab-Holding. In these positions, he succeeds Mr. Gerard Madelin, entrusted with new duties within the Société Générale Group.

Mr. Heinz Beldi, Vice-President of Swiss Bank Corporation, was seconded by this Institution as General Manager of FRAB-BANK INTERNATIONAL and Frab-Holding, in place of resigning Dr. Abdul Wahab Khayata.

Mr. Roger Sabot, Manager of Société Générale, was appointed Director by Frab-Holding Board of Directors.

Lastly, Mr. Abdulaziz Hamad al Sagar was reappointed Chairman of Frab-Holding and Vice-Chairman of FRAB-BANK and Mr. Walter Frey General Manager of Swiss Bank Corporation, was reappointed Vice-Chairman of Frab-Holding and FRAB-BANK.

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Retail price index climbs sharply again in France

BY DAVID CURRY

PARIS, June 27.

THE FRENCH retail price index moved sharply upwards again in May following the Government's decision to increase a wide range of public sector tariffs to limit the need for state subsidies.

The 1 per cent rise in May was, in fact, more modest than had been expected, and was not as severe as the 1.1 per cent recorded in April. The next few months will, however, continue to witness severe increases as the policy of setting industrial prices free from control and recent or imminent price rises for petrol, rents, coal and the Paris regional transport system take their toll.

The Prime Minister, M. Raymond Barre, has warned that the index over the next few months will make painful reading because of the "corrections" to industrial and public sector prices decided by the Government. He is expecting an 11 per cent rise this year in the index, but argues that the underlying trend will be nearer 8 per cent if the public sector tariff rises and increases due to adjustment of Common Market exchange rates for agricultural products are discounted.

In fact, on this definition the underlying rate for May was 0.6 per cent. Over the past three months the inflation rate has reached an annual rate of increase of 12.4 per cent.

The immediate consequence of the latest rise will be an increase in the national minimum wage to count from July 1. Normally in July the minimum wage is adjusted to take account not merely of price rises but of the average rise in industrial earnings, while M. Barre has promised that the lowest paid will be granted an increase in purchasing power to keep them ahead of price increases.

It is expected that the Government will be reluctant to permit too great an increase in the minimum wage, however, and a rise of around 2.2 per cent is expected to FFr. 10.68 an hour.

This arithmetic will be watched with some apprehension by the members of the Government's parliamentary coalition who believe that the Government's hard-headed pursuit of economic recovery is giving it an uncompassionate image in the face of increasing unemployment and difficulty in several sectors of industry.

This discontent has been simmering within the ranks of the Gaullists for some time, and M. Jacques Chirac, the party's leader, has added fuel to it by calling for a clear policy of reflation even if it means jeopardising the return to economic equilibrium.

But now there are the first signs of disquiet from the UDF-centre grouping which looks to President Giscard d'Estaing for leadership. It is disappointed that there has not been a more vigorous pursuit of social goals and reform.

Both groups are clearly worried about the present wave of industrial unrest in France, though this unrest is still unco-ordinated.

The conflict at Renault drags on, the naval dockyards are well into their second week of strike, the Moulinex electrical appliance company is crippled by widespread strike action and has had to call in police to clear its factories of strikers, and the fate of the Boussac textile empire remains uncertain.

It is hard to see M. Barre being seriously threatened in the short term by this discontent so soon after the President's unequivocal endorsement of his economic policy. However, if the Gaullists take their opposition to the point of opposing some of the measures of reform proposed by the President himself, the Government could find itself in increasing difficulty in Parliament.

EEC shipbuilding probe

BY MARGARET VAN HATTEM

BRUSSELS, June 27.

THE EEC COMMISSION has launched a formal investigation to see whether State aid to shipbuilders by the French, British and Dutch governments is compatible with the Community's competition rules.

The aid in question is the first to be introduced since the fourth directive on competition policy was approved in March. It laid the ground rules for aid to shipbuilding.

The Commission has given the governments concerned one month to supply information which would demonstrate that State support for shipyards is in line with this directive and does not cut across Community plans for a 50 per cent reduction in EEC shipbuilding capacity and workforces. This means that State aid should be directed mainly towards restructuring and providing permanent jobs, rather than temporary supports and subsidies.

The British Government's £90m "special intervention fund" does not appear to meet these requirements. The initial £65m fund was set up last year to allow British shipyards to tender competitively with foreign yards and was largely responsible for Britain's winning the major Polish ship order for its own yards.

By subsidising production, it is said, the fund gives UK shipyards an unfair advantage over foreign competitors, both in the EEC and in third countries such as Japan.

The French project under investigation is a FFr 55m aid for ship repairs, a sector not provided for in the fourth directive. The Dutch project involves a Fl 950m fund to provide for loans to, and State participation in, shipbuilding and repair firms threatened with closure.

The Commission also stressed today that the investigation is basically a fact-finding exercise and that so far, no countermeasures are envisaged. The Commission is mainly concerned with getting governments to specify where and how they plan to scale down capacity in the industry as a whole.

Proposal on European MPs' pay

BY GUY DE JONQUIERES

LUXEMBOURG, June 27.

EEC OREIGN Ministers today took a first step towards determining the pay of directly-elected MPs in the future by agreeing to invite the current European parliament to submit a formal proposal on salary levels.

The request will be made next week by Herr Hans-Dietrich Genscher, the West German oreign Minister and incoming president of the EEC Council of Ministers, when he meets Sig. Emilio Colombo, president of the present parliament, which consists of MPs nominated from national legislatures.

The proposal will form the basis of discussions by the Council of Ministers. But the Ministers maintain that they have the right to amend it and to take the final decision.

Dr. David Owen, the British oreign Secretary, claimed after the meeting that all nine Ministers had agreed that the salaries questio nshould be settled by the start of next year at the latest.

Journalists accused as Moscow releases businessman

BY OUR OWN CORRESPONDENT

MOSCOW, June 27.

SOVIET AUTHORITIES today released Mr. Francis Crawford, a U.S. businessman, from custody in Lefortovo prison, where he had been held since June 12 accused of currency violations.

Mr. Crawford's release came as the U.S. freed two Soviet United Nations employees accused of spying, in return for Mr. Crawford's release.

The three men are technically in the custody of their own countries diplomatic representatives. Mr. Crawford, Parts Manager for International Harvester, was taken by the KGB to his room at the Intourist Hotel, where he has lived for two years. Mr. Crawford has been told to be on call by Soviet authoritites investigating the alleged currency violations. Tass, the Soviet news agency, has accused him of "systematical" speculation in large amounts of foreign currency. Three Soviets, unidentified, are said to have been his accomplices.

Meanwhile, the State television-radio monopoly has brought an action for slander in a Moscow court against two American reporters. Mr. Craig Whitney of the New York Times and Mr. Harold Piper of the Baltimore Sun. The two men were summoned to appear tomorrow as defendants in an action brought by Gostele-radio.

The two said they had been informed by officials at the foreign press department of the Soviet Ministry of Foreign Affairs that the complaint has been lodged against them for at least one article each of them sent to their papers. Further details of the complaint were withheld.

Mr. Whitney and Mr. Piper late last month filed articles from Yerevan, the capital of Soviet Armenia, in which they quoted dissident sources in neighbouring Georgia as disputing a televised confession shown recently on Soviet television. The confession was given by Mr. Zviad Gamsakhurdia, a Georgian human rights activist, who was recently brought to trial on charges of anti-Soviet propaganda and confessed guilt. After the trial, the national television news programme "Vremya" ("Time"), broadcast scenes of Mr. Gamsakhurdia expressing regret for his actions. The dissidents quoted in the two reporters' articles said they doubted the authenticity of Mr. Gamsakhurdia's remarks as portrayed on the programme. They said the scenes had been spliced together, taking his words out of context.

In Washington, officials said that Mr. Cyrus Vance, the U.S. Secretary of State, will ask Mr. Anatoly Dobrynin, the Soviet ambassador, to explain the action of the Moscow authorities. Mr. Dobrynin's call at the State Department was arranged before today's action.

● A young Russian ran amok with an axe outside central Moscow's Intourist Hotel today, killing two Swedish tourists and injuring another, hotel staff said.

A Russian eyewitness said the man, aged 24, attacked the three elderly tourists, a woman and two men, as they were leaving the hotel on the capital's crowded Gorky Street at midday.

● A group of seven Soviet Pentecostalists rushed past police guards into the U.S. Embassy in Moscow today and said they would not leave the building until they were allowed to emigrate, Reuter reports.

Executions postponed in Cyprus

By Our Own Correspondent

NICOSIA, June 27.

TWO ARAB terrorists sentenced to hang for the murder of a prominent Egyptian newspaper editor did not go to the gallows today as scheduled. It looks as if they will be staying in the island for some months to come, locked in a special cell of the Nicosia Central Prison.

Samir Mohammed Khadar (28) and Zayed Hussein al Ali (26), were found guilty on April 4 of the premeditated murder of Yousef el Sibai, a close friend of President Anwar Sadat, the Egyptian leader, and editor of the Cairo newspaper Al Ahram. He was shot at close range in a corridor of the Nicosia Hilton Hotel on February 18.

The date set provisionally for their execution was June 1, but this was later put off to June 27, while the island's Supreme Court spent several days hearing their appeal. The court has now announced it will deliver its verdict on July 31, and has postponed their execution to August 22.

The reason given for the delay in announcing the judgment was the "complex and delicate" legal points raised by the defence counsel, Mr. Lefkos Clerides. If the court finally confirms the death sentence, Mr. Clerides is certain to appeal for clemency to President Kyprianou.

It is thought likely he will have to commute the sentence to life imprisonment.

From the legal point of view, the death penalty in Cyprus is almost extinct in practice as it has not been carried out for more than ten years.

W. Berlin election role criticised

BY LESLIE COLITT

BERLIN, June 27.

THE Soviet Union's ambassador to East Germany, Mr. Pyotr Abrassimov, who was one of the negotiators of the 1971 Four-Power Berlin Agreement, has warned against West Berlin taking part in next year's elections for the European Parliament.

Moscow's envoy in East Berlin said that West Berlin's participation in the elections, direct or indirect, could not be allowed "in the interests of stability in the area," as it would be an "attempt to revise the situation" in West Berlin.

This, he noted, would be "incompatible" with the Four-Power Agreement.

The three Western powers responsible for West Berlin—Britain, France and the United States—are permitting the city to delegate representatives to the European Parliament, but not to elect them. This is the same procedure used to send West Berlin's non-voting representatives to West Germany's Bundestag.

Mr. Abrassimov, in an interview with West German television, also said the Four-Power Agreement would be violated if West Berlin's Governing Mayor, Herr Dietrich Stobbe, takes over this autumn as President of the Bundesrat, the upper chamber in Bonn. This post revolves each year among the heads of the 10 West German states and West Berlin. Its occupant deputises for the Federal President.

The Soviet ambassador said that the "illegality" of such a step must be evident, "irrespective of the explanations accompanying it."

Mr. Abrassimov also struck out against the presence of the West German Chancellor, Herr Helmut Schmidt, in West Berlin during the visit here last month of Queen Elizabeth.

Reuter adds from Bonn: The West German Government today rejected Soviet charges that West Berlin's participation in direct elections to the European Parliament would violate the Four-Power Agreement.

Belgrade and Sofia in conflict

BY PAUL LENDVAI

VIENNA, June 27.

TENSION between Yugoslavia and Bulgaria has sharply increased following mutual accusations over territorial claims.

The Bulgarians are particularly angry that a recent conciliatory offer by the Bulgarian President and Communist Party chief, Mr. Todor Zhivkov, has not only been ignored but even used for a further escalation of criticism from the Yugoslav side. Mr. Zhivkov offered to go immediately to Belgrade to sign with Marshal Tito a joint declaration about the renunciation of territorial claims and the inviolability of frontiers.

However, the final resolution of the Yugoslav Communist Party Congress last week once again accused the Bulgarians of territorial claims since the Bulgarians continue to ignore both the existence of a Macedonian nation and of a Macedonian minority in Bulgaria itself. Macedonia is one of the six constituent republics of Yugoslavia.

On his return from Belgrade, Mr. Dimiter Stanishev, a secretary of the Bulgarian Communist Party's Central Committee and leader of the Bulgarian delegation at the Yugoslav party congress, hastened to reject what he called "absurd theses, unfounded accusations and attempts at pressure and interference in Bulgaria's internal affairs."

The Yugoslav party document specifically accused Bulgaria of violating both the UN Charter and the Helsinki Final Act on European Security and Co-operation by not respecting the rights of the Macedonian minority in Bulgaria. However, Mr. Stanishev refuted these accusations and even asserted that "there has never been and there is not at prsent a Macedonian national minority in Bulgaria." An authoritative statement issued by BTA, the Bulgarian News Agency, went even as far as to charge Yugoslavia with territorial claims on Bulgaria.

These attacks, in turn, were sharply condemned this week by the official Yugoslav news agency, Tanjug, which reminded Mr. Stanishev that Bulgarian official statistics in the past issued precise figures about the number of Macedonians living in Bulgaria. Thus, in 1956 the Bulgarian census revealed a Macedonian minority of 187,000. However, by 1965 their number was given only as about 8,000. In 1975 the Bulgarian census completely ignored the existence of any Macedonians.

Austrian discount rate cut

By Our Own Correspondent

VIENNA, June 27

THE AUSTRIAN central bank tomorrow will announce a long-awaited but controversial 1 per cent reduction of the discount rate from 5.5 per cent to 4.5 per cent, it was reliably learned here today.

It is now taken for granted that, as of July 1, the so-called basic rate on savings deposits (not subject to notice) will be reduced from 4.5 per cent to 4 per cent. Interest rates on credits should drop on average by 1 per cent. The latest federal bond issue — a Sch500m loan floated by the state electricity concern — carries only a 7¾ per cent coupon.

The last change in the bank rate occurred in June, 1077, when it was raised from 4 per cent to 5.5 per cent. Dr. Hannes Androsch, the Austrian Finance Minister, repeatedly pressed publicly for a reduction of interest rates and has even reproached the credit institutes for being what he called "over-cautious."

But the reduction of interest rates is being received with mixed feelings by financial observers. They point out that the budget deficit, which will be Sch 47bn this year, lies at the heart of the problem.

The growth rate this year has been put at 1.5 per cent, against 3.5 per cent last year by the Institute for Economic Research, but it may well be even lower. Latest forecasts are understood to put it at 0.7 per cent.

A spokesman for the Federal Chamber of Economy also said that changes were necessary in the general thrust of economic policy.

AMERICAN NEWS

Canadian financial interest Bill

By Victor Mackie

CANADIAN Members of Parliament could be barred from holding senior positions in corporations and keeping secret from the public the nature of their financial interests under a conflict of interests Bill introduced in Parliament today.

However, MPs including Senators could escape the proposed new *restrictions on their* finanical affairs by placing their holdings in trust.

Under the set of public disclosure rules now proposed, the public not only could learn which *corporations* the MPs are involved with, but also how many shares they hold and how wealthy they are.

The legislation was promised four years ago by Mr. Pierre Trudeau the Prime Minister during the 1974 election. *Since* them a number of incidents in which prominent members of the *Government have been allegedly* involved in conflict of interest situations have stirred up protest from the combined opposition parties.

Mr. Trudeau finally bowed to the pressure and agreed to bring forward a conflict of interest Bill to meet the complaints. It was introduced *by* Mr. Alan *MacEachen*, Deputy Prime Minister.

"The rules will provide pretty clear guidelines ot Members and assurance to the public that conflict of interest is dealt with," said Mr. MacEachen.

The idea, he aded, is to permit parliamentarians to deal with conflict of interest situations by *disclosing them to the public*, since avoiding them "it not possible all the time, or practical."

A *conflict of interest* is being defined as a situation in which a parliamentarian has personal financial interests sufficient to influence or appear to influence his public duties and responsibilities. It is also a situation, said Mr. MacEachen, where a parliamentarian uses or passes on to someone else confidential infor*mation which could be used for* financial gain.

This action would be prohibited under the proposed law, which received first reading but will now die on the Order Uaper because the House of Commons is due to recess for the summer on June 30. The Bill will have to be reintroduced at the next *session in October.*

U.S. COMPANY NEWS

Strong fourth quarter at Heinz; Alberta Gas Trunk Line raises stake in Husky Oil; Setback in gaming stocks—page 31

Supreme Court bans building on Grand Central Station

BY OUR OWN CORRESPONDENT NEW YORK, June 27.

THE U.S. Supreme Court has *prohibited the construction* of a 53-story office building above Grand Central Station in New York, by way of a landmark decision which will influence property development throughout the country.

The significance of the decision is that it endorses the rights of local authorities to designate buildings as historic landmarks without compensating owners for any loss of freedom of development. Uncertainty of the law and fear of costly legal challenges are said to have inhibited many municipalities from trying to preserve commercial *properties.*

Penn Central Transportation Company, which owns the 67-year-old Grand Central terminal, had challenged a veto by the New York City administration of a proposed skyscraper, on the grounds that it would represent and unconstitutional seizure of the air space above the terminal *without just compensation.* But the justice who comprised the majority in the 6-3 ruling found *"no merit"* in the company's argument that the financial burden of "any restriction imposed on individual landmarks" should be borne by the taxpayers rather than by the owner.

The dissenting minority argued that the constitution required the cost of preserving historic landmarks to be borne by the Government on behalf of all citizens who would theoretically benefit from it.

Grand Central was designated a landmark in 1967 and is one of 400 buildings and 30 areas in *New York the preservation of* which is legally protected. A year after the designation, 60 per cent of the air rights above the Grand Central terminal were leased for 50 years to the British company, United Grand Properties, which subsequently sold out its interest at a loss of £1.7m.

Commodity chief 'to stay'

BY DAVID LASCELLES NEW YORK, June 27.

MR. DAVID GARTNER, vice-chairman of the Commodity Futures Trading Commission (CFTC), who is *embroiled* in a controversy over some shares given to his children by a large grain concern, and who was pressed to resign yesterday by President Carter, is expected to explain his position at a meeting of the Senate Agriculture Committee tomorrow.

However, a spokesman for the CFTC, which is the government agency responsible for policing the commodity futures business, *said today* that Mr. Gartner did not intend to resign. Mr. Gartner was only recently appointed to the Commission after the resignation of Mr. John Rainbold, but there has been wide publicity for the $72,000 worth of shares be accepted for his children between 1975 and 1977 from Archer-Daniels-Midland Company.

Part of the publicity is due at least to the fact that both the Senate and the House of Repre*sentatives have been debating* legislation to extend the life of the CFTC, whose mandate is due to expire *in September.*

U.S. scientific mission to China

BY JUREK MARTIN WASHINGTON, June 27.

THE U.S. is to send a delegation of prominent scientists to China early next month, the White House announced today.

The mission, which will be headed by President Carter's science adviser, Dr. Frank Press, constitutes a U.S. initiative to improve the level of technologi*cal exchanges between the two* countries.

Dr. Zbigniew Brzezinski, the U.S. *National Security Adviser,* discussed broader scientific and technical co-operation during talks in Peking last month

The dispatch of the mission is seen here as one of the first manifestations of the U.S. playing its "China card"—a policy which induced the critical wrath of Mr. Leonid Brezhnev, the Soviet President, in a speech at the weekend.

The Administration has indicated recently that it is withdrawing its previous ban on the sale of certain sophisticated technology (including computers) to *China. The Administration has* also said that it will no longer object to Chinese purchases of defensive military equipment from Western Europe.

Tribute to Callaghan's 'wise advice'

BY JOHN WYLES NEW YORK, June 27.

Mr. James Callaghan

Mr. Walter Mondale

FULSOME TRIBUTES to Mr. James Callaghan, the British Prime Minister, here last night confirm that the U.S.-UK relationship is now more easy, relaxed and intimate *than at any* time since the Kennedy-Macmillan era.

As then, the fulcrum of the relationship, to which the word *"special" is diplomatically not* attached these days, is the personal harmony between the two Heads of Government. *In a* lavish eulogy of Mr. Callaghan's statesmanship Vice - President *Walter Mondale affirmed last* night: "There is no leader of another country to whom the *President turns more frequently* and trusts more completely than Prime Minister Callaghan. He is *a source continuously* of wise and principled advice."

Vice - President Mondale was speaking at the presentation to *Mr. Callaghan of the first Hubert* Humphrey international award which the Prime Minister had *earned, according to its sponsors,* the National Committee on American Foreign Policy, "for *his long record as an inter*national statesman, his contribution to world peace and the development of a better social order in the framework of a democratic society."

Flushed with the Vice-President's tribute, which all concerned know will not be unhelpful in a probable election year, Mr. Callaghan later gave *the keynote speech at the* Tribute to Hubert Humphrey Dinner at New York's Waldorf Astoria Hotel where 500 people had paid $250 a plate. The funds are earmarked for the Hubert H. Humphrey Institute of Public Affairs which is being established at his alma mater, the University of Minnesota.

Having already heard that Hubert Humphrey would not have wished anyone else to be *the first recipient of the award* bearing his name, Mr. Callaghan was generally credited with hav*ing risen* to the occasion in a 25-minute speech on world affairs in which he developed the theme *of* "Europe and America must work together."

Mr. Callaghan assumed something of the *mantle of Europe's* ambassador to America, ironically the role which Mr. *Macmillan* had sought for Britain when he made the first application to join the Common *Market in the early* 1960s.

The Callaghan Government's close ties with the Carter Administration were established by the British embassy under Sir Peter Ramsbotham, the previous ambassador, even before Mr. Carter moved into the White House and were underlined by yet another meeting between the Prime Minister and the President at breakfast yesterday. In the past 18 months aviation affairs have been the only source of difficulty in Anglo-American relations but this counted for nothing last night.

Nor did the fact that the proceedings were boycotted by Mr. Hugh Carey, New York's Governor count for much. Governor Carey is running for re-election this year and has many fences to mend with Irish Americans after his outspoken condemnation last year of the IRA. Therefore the Governor's explanation that he did not want to share the dais with the Prime Minister of Great Britain because of the situation in Northern Ireland evoked little surprise.

Mr. Alistair Cooke, who acted as master of ceremonies, praised Mr. Callaghan as the first Labour Prime Minister since *the war to* break with the worthless and dying ideology of the 1930s.

Foreign banks face fresh controls in U.S.

BY STEWART FLEMING IN NEW YORK

FOREIGN BANKS operating in *the U.S. are once again facing* the prospect that Congress will pass new laws which will, foreign *bankers believe, unfairly restrict* their operations.

Even three months ago, as the International Banking Act 1978 wound its way tortuously through the House of Representatives, staff members or congressmen *committed* to the new legislation gave it little chance of becoming law. Congress, they said, had too *many more pressing priorities.*

But then came the announcement of a series of proposed *foreign acquisitions of major U.S.* banks with aggregate assets of almost $20bn. Among them is *the deal under which Hongkong* and Shanghai Bank is seeking a controlling interest in Marine Midland Banks, the 13th largest U.S. commercial bank.

The deal gave new impetus to the proposed act. The legislation cleared the House of Representatives with an overwhelming majority once a crucial ammendment had been accepted to allow foreign banks to retain privileges to bank in several states.

Last week, a Senate banking subcommittee once again held hearings on the proposed foreign *banking laws. It was the third* time since 1975 that Congress has considered such legislation and *the second time that the House* has approved it. The question now is whether the Senate will finally act.

The answer may become clearer by the end of July. On the 26th of the month the Senate Banking Committee will hold a "mark up" on the proposed act *to determine the final shape of* the legislation. If the process goes smoothly, the Senate passes the legislation and it does not differ too much from wsat has *already come out of the House* of representatives, foreign banks could find themselves subject to *new forms of federal regulation* and supervision.

If not, then foreign banking legislation could well be shelved for several years since the House will probably be reluctant to devote even more time to the *issue.*

The recent flurry of foreign acquisitions in U.S. banks is one of the main reasons why Congress is now in a hurry to pass new foreign banking legislation.

Last week's Senate hearings at least indicated that there is a *quickening political interest in* the subject. Mr. G. William Miller, the Chairman of the Federal Reserve Board, appeared in person to testify (the Fed has been pushing for legislation for more than four years), and so did Mr. John Hiemann, the Comptroller of the Currency, and Mr. George LeMaistre, the Chairman of the Federal Deposit Insurance Corporation (FDIC), representatives of the Institute *of Foreign Bankers, the British* Bankers Association, and the Banking Federation of the EEC also *appeared.*

Apart from the recent flurry of foreign acquisitions there is a variety of reasons why the U.S. feels new foreign banking legislation is needed. Mr. Miller *touched on some of them* when in his testimony he remarked: "The growth in the number and size of foreign banking operations, their ever increasing importance to the structure of the banking system and to the functioning of the money and credit markets," help to explain the Fed's interest in the issues.

He pointed out that at the end of 1973 when the Fed developed *legislative proposals* there were 60 foreign banks with offices in the U.S. holding aggregate assets of $37bn. By April of this year, the figure had risen to 122 banks with assets of $90bn. This compares with assets of around $600bn (in March 1978) for large banks that report weekly to the Fed. The weekly *reporting banks* are the main competitors to the foreign banks and account for about half the *total U.S. banking assets.*

Only nine states pemit foreign bank offices to be established. *The foreign banks' assets are con*centrated in New York, Chicago and California where they have considerable market influence.

In New York and California they account for around one-*third of total commercial* and industrial loans. Their portfolios have been growing rapidly at a time when, in New York in particular, local banks have been making little, if any, headway—evidence that backs up the charge that foreign banks have led the way in cutting lending rates.

But it is not the size alone of the foreign banking sector which accounts for the pressure *for legislation.* What is equally important is the fact that in a country which boasts a multi*plicity of banking* regulatory systems at the national level through the Federal Reserve, the Comptroller and the FDIC and locally through state supervisors, foreign banking offices come under state supervision alone for the most part. Thus Mr. Miller remarked: "It is incongruous that institutions such as these can operate on such a scale in this country without being subject to federal regulation of their entry and activities and without being subject to the *rules of the central bank.*"

The lack on the national level of supervision and regulation for what are essentially the foreign offices of giant international banks is one source of concern. Not only is it felt that state regulators do not have the expertise effectively to monitor the operations (with one or two exceptions, such as the New York State banking authorities). It is also argued that the states have little interest in the task since the foreign bank offices do not for the most part take retail deposits from the general public. The main exceptions are the foreign bank *subsidiaries* in California and New York and increasingly some bank branches *that attract* deposits from local ethnic groups such as the *Chinese, Irish or Jews.*

Thus the legislation now before Congress has two main objectives: to bring the foreign banks under some form of federal regulation and supervision; and to develop a foreign banking law which will give foreign banks national treatment — that is make them subject to the same disciplines and give them similar privileges to U.S. banks.

But the question of multi-state branching is one of the most controversial issues in the proposed act. The Federal Reserve and the Carter administration is calling for an end to such privileges whereas the states want them to be retained.

So far the states have won. They have argued that if foreign banks are not allowed to branch across state lines they will concentrate almost exclusively in *money centres such as New York,* Chicago and California. Therefore, they say, other states will *not benefit from the presence of* foreign banks which can attract and stimulate international business. The Federal Deposit Insurance Corporation is backing the states' position and the bill as proposed will allow interstate branching to continue.

OVERSEAS NEWS

S. Yemen coup 'not a dispute over policy'

By Ihsan Hijazi June 27.

AS MARXISTS in South Yemen today set out to consolidate their victory in wake of the overthrow and execution yesterday of President Salem Rubai Ali, the conflict was being seen as an outright power struggle rather than the disagreement over policy which the victors were trying to present it as.

They said Mr. Rubai Ali, who was executed by a firing squad last night along with two of his comrades, wanted to concentrate power into his own hands by depending on support from loyal elements in the armed forces, and by lessening the influence of the leadership of the ruling National Liberation Front (NLF).

Mr. Ali Nasser Mohammed, the Prime Minister, was named as the new President. He is a close associate of Mr. Abdel Fattah Ismail, the secretary general of the NLF and its Marxist-Leninist ideologue.

A leftist newspaper here, Al Safir, quoted diplomatic sources as saying that the NLF leadership had discovered that Mr. Rubai Ali was in secret contact with the Saudis through a number of his aides. When he was confronted with the evidence, he dismissed the exchange as insignificant, the newspaper said.

Diplomatic sources reported that there was sporadic shooting in Aden today as the "Peoples Militias" of Mr. Ismail carried out mopping-up operations against the followers of the ousted president.

They added that the Presidential palace received direct hit in attacks by fighter planes, casualties were believed to be high, but no figures have been reported.

The sources said that the Defence Minister, Lt-Col. Ali Antar, hitherto considered loyal to the late President, had tipped the scales in favour of the NLF leadership when he carried out its orders to crush the coup attempt by Rubai Ali and his supporters.

Roger Matthews reports from Cairo: Preparations are going ahead for a meeting of Arab League Foreign Ministers in Cairo next Saturday to discuss the latest events in North and South Yemen. The meeting was called for yesterday by North Yemen, following the assassination of its President in Sanana.

However, it is not yet clear how many of the 22 members of the Arab League will accept the invitation.

Record Japanese surplus of $17.6bn projected

BY ROBERT WOOD TOKYO, June 27.

THE Japan Economic Research Centre expects a record Japanese current account surplus of $17.6bn this fiscal year, its economists said today.

The projection came in an 18-month forecast which also predicted Japan's domestic economic growth would slow down again later this year if the government follows currently expected policies.

Export price increases due to increases in the yen's value would account for the whole increase in Japan's surplus. The projection indicated the volume of Japan's exports would decline 1.5 per cent and the volume of imports would rise 5 per cent.

The projection does not include any of the emergency accelerated imports the Government now plans. But Mr. Masashi Kato, senior researcher at the centre, said it was otherwise conservative. He noted the centre has underestimated Japan's exports and current accounts surpluses several times before.

The projection indicated growth would be 5.2 per cent for the current fiscal year, which ends on March 31, 1979. This is significantly below the Government's targeted rate of 7 per cent. The sluggish growth was projected to continue throughout the term of the forecast, which extends to September 1979.

The Japanese economy's large "demand gap"—its lack of sufficient domestic demand for all the goods the economy can supply—would persist throughout the period, given current Government policies, according to the Centre. However, the projection is more optimistic than the Centre's last report in December, which predicted a 4.6 per cent growth rate for the fiscal year.

A decline in Japan's inflation rate is said to have caused the difference betwen the two projections. The decline permits greater optimism about real consumption and some other sectors, but the report anticipates only slight effects from this, because lower inflation helped keep wage settlements below 6 per cent in this year's "spring labour oc es'ne ,'niv ETAO HRDL offensive."

The centre expects consumer prices will rise faster later this year due to higher produce prices and utility charges. Consumers' real incomes would thus rise little, and consumption would also rise little.

The projection is also based on the assumption that housing investment will actually decline in the second half, that the Government will not cut taxes, and that its supplementary budget this year will be less than half the level of last year's. In the past projections like the Centre's have often led to adoption of policies that have invalidated the assumptions on which the assumptions are based.

Separately today the Ministry of International Trade and Industry (MITI) released statistics indicating that Japan's domestic expansion might be slowing down. The seasonally adjusted index of manufacturing and mining output rose 0.3 per cent in May, the second consecutive small monthly increase. In April the index had risen 0.1 per cent, after a 2.1 per cent jump in March. MITI officials said they expected continued weakness in June and July.

Ethiopian troops said to have launched Eritrean attack

DAMASCUS, June 27.

ETHIOPIAN troops have launched a major three-pronged attack on Eritrean guerrillas, the Eritrean News Agency reported last night. The Damascus based agency said the new offensive followed the failure of Ethiopia's first attack last month.

The agency, run by one of the two main guerrilla organisations, the Eritrean Liberation Front Revolutionary Council (ELF-RC), said the offensive was launched from the south, south-east and south-west of Eritrea.

Heavy fighting was taking place between the guerrillas and Ethiopian troops in the Adwa area, "where the Ethiopian regime is massing military units supported by tanks for the attacks," it said.

"Ethiopian occupation forces also moved from the Rashiri sector with the aim of surrounding guerrilla forces from the south-east and heavy fighting is now going on between the two sides," it added. Ethiopian planes were "carrying out continuous daily raids on liberated Eritrean regions and towns," the agency said.

In Bonn, an ELF-RC leader said Ethiopian planes yesterday bombarded two towns on the Adwa-Asmara road in a build up for a drive northwards. Dr. Habte Tesfamariam told a Press conference that according to information received by phone today from Khartoum, the Ethiopian Air Force was bombing Mandefara and Adiquala.

● Ethiopia has responded to Somali guerrilla actions in the Ogaden region by sending troops on search missions to remote villages, according to reports on Addis Ababa radio monitored in Nairobi.

It said regular soldiers and units of the People's Militia were sent to villages within a 40-mile radius of the strategic tank base of Jijiga on the northern edge of the Ogaden to search for what it called "Somali bandits."

The report was the first official mention of military action against the guerrillas since before mid-May, when the country's Marxist military leader Lt.-Col. Mengistu Haile Mariam toured the Ogaden after the end of the eight-month conventional war against Somali forces.

It could signal a new impatience with the guerrillas, who have claimed increasing successes against Cuban and Ethiopian troops stationed in the vast semi-desert area and with their moral and material backer Somalia. Reuter

Loan for Indonesia

The Export Credits Guarantee Department has guaranteed a $8.5m loan which Lloyds Bank International has made available to the department of Finance of Indonesia to help finance a $10m contract awarded by the Department of Education and Culture to Philip Harris (International). The order covers the supply of laboratory equipment for the physics, biology and civil and mechanical engineering faculties of 10 Indonesian universities.

Mitsubishi cars

Mitsubishi is to export its cars to France at the end of this year, Reuter reports from Paris. They will be distributed by the Porsche subsidiary Sonauto

Zambian aid talks attended by Saudis

By David White PARIS, June 27.

A MEETING on emergency aid for Zambia began here today with the unusual presence of Saudi Arabia alongside a dozen other donor countries. Saudi interest in reinforcing the international aid contribution is seen as reflecting the Saudi Arabian Government's growing concern with political developments in Africa and the spread of Soviet influence in the continent.

The Saudi Arabian Fund for Development is taking part in the consultative meeting along with Zambia's traditional aid donors — the U.S., Canada, Japan and eight Western European countries including Britain — and international institutions. Among these is the IMF, which recently granted Zambia a two-year credit package of $390m.

Yugoslavia is also participating in the meeting, held under the auspices of the World Bank, with another interesting newcomer — Romania—as an observer.

Vietnam rejects Cambodia claim

HONG KONG, June 27.

VIETNAM today dismissed as a ridiculous fabrication Cambodia's claim last Sunday that it had thwarted a Vietnamese-organised plot to topple the Phnom Penh leadership.

The Vietnam News Agency quoted an editorial in the official daily Nhan Dan as saying: "Have the Kampuchean authorities gone crazy? Their fabrication is so ridiculous that people could not help but laugh openly."

The Phnom Penh Radio report, quoting an Information Ministry spokesman, said the alleged plot was foiled last month. It named six Vietnamese accused of organising frequent secret meetings in Eastern Cambodia. Reuter

Iranian oil output up

TEHRAN, June 27.

Iranian oil production rose 7 per cent in the month ended May 20, the National Iranian Oil Corporation said today.

Production between April 21 and May 20 totalled 5.91m barrels a day compared with 5.51m in the previous month, an NIOC spokesman said. Reuter

NIGER'S URANIUM RESERVES

The key to an improved economic future

BY A SPECIAL CORRESPONDENT, RECENTLY IN NIAMEY

THE LANDLOCKED Republic of Niger ranks among the world's 25 poorest countries in a recent United Nations survey. Its already weak economy was probably the hardest hit of all the African nations by the Sahel drought of the early 1970s This gloomy picture is gradually starting to be altered by growing uranium production and the prospect of the continued high prices for this strategic metal.

Niger's commercially viable uranium reserves, generally estimated at over 100,000 tonnes, are found in the remote mountainous Air region in the north. The open-cast Arlit mining site was developed by and for the French Atomic Energy Agency, through a multinational corporation called Somair, with German and Italian capital. Since mining began in 1971, production increased from 410 tonnes to a record 1,800 tonnes last year. Niger currently occupies the fifth spot among uranium exporters with approximately 5 per cent of total world output.

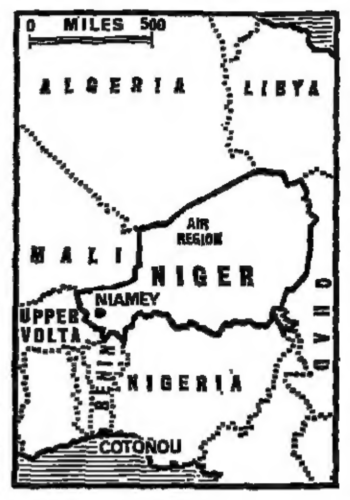
In 1975, the military regime headed by Col. Seyni Kountche, achieved a revision of the 1961 co-operation agreement which permitted France unilaterally to set the price it would pay for uranium. Long drawn out negotiations led to an agreement under which Niger's share in Somair's equity rose from 17 to 33 per cent. Now the Government in Niamey sets taxes and prices. The quintupling of the price of uranium since the energy crisis in 1974 and increased output has caused Niger's earning to rise 16-fold to 16bn CFA francs (about £38m) in 1977. This covers 40 per cent of the current national budget.

Plans are going ahead for the opening, in 1978, of a second mine at Akouta. Jointly owned by the state (31 per cent) and French, Japanese, and Spanish interests, the Cominak mine is to produce 2,000 tonnes by 1980. The Government's uranium plan foresees another doubling of total production by 1982 to around 8,000 tonnes when Niger should be black Africa's top producer and the second or third largest exporter in the world. Talks are currently progressing for the constitution of a third company to open up another mine in the Arlit region at Imouradan.

Senior government officials are a bit wary of excessively rapid development of this sector for fear of killing "the goose that laid the gold egg."

The minister of mines, M. Arouma Mounkeila, has let it be known that the Government intends to go cautiously in order to husband reserves. This attitude is also reflected in the use of uranium revenues. Instead of rushing into prestige projects and expanded expenditures like other mineral-rich African countries, Niger channels almost all uranium receipts into a special national investment fund.

A key problem hampering uranium operations is the lack



of transport facilities. The mining centre is over 1,200 miles from the port of Cotonou, in Benin, where the uranium concentrate is loaded for Europe. During the rainy season the 350 specially designed 25-tonne lorries have great difficulty in covering the Agadez-Tahoua stretch. In order to assure steady year round deliveries, a 400-mile tarmac "uranium road" is being built from Arlit to the capital. It will be financed by foreign companies through a special export tax on uranium.

Niger's uranium resources not only save it from a dismal economic future, but also greatly add to its strategic importance for the West, and especially France. Given the decision of the French Government to embark on a big programme of nuclear energy, it is not surprising that the French are particularly sensitive to any political change in its former colonies (Chad and Gabon as well as Niger) where uranium is present. French military strategists are worried about the possibility of "destabilisation" in Niger.

This concern was echoed by the foreign minister, M Louis de Guirangaud, at a meeting of the French Foreign Nuclear Policy Committee in December. In a confidential report he stressed the "important risks" of a possible breakdown of supplies from Niger, France's largest supplier. France, he said, "could lose FFr10m (about £1.2m.) if mining (in Niger) were to stop for only three days." He went on to add that "the purchase of substitutes from other markets would mean payment in foreign currency rather than francs."

President Kountche seems to be aware of both the precarious position which dependency on uranium exports puts the country and the dangers it faces on a continent increasingly beset by great power rivalry. At the recent Franco-African Summit Conference in Paris, he was one of the heads of state most critical of the proposed pan-African intervention force.

Niger maintains excellent relations with all its neighbours and has played a leading role in attempting to negotiate a settlement in Chad. A minor territorial dispute with Libya is now being resolved.

The state-owned mining company, Onarex wants to find new clients for its uranium. Last year, for instance, 175-tonnes was flown to Manchester airport for British Nuclear Fuels, Ltd. It is believed that Britain may be developing its "Niger connection" in coming years.

To avoid putting all its eggs in one basket, Niger is also trying to exploit other mineral resources. A coal mine at Anou-Anem, whose reserves are pegged at 5m tonnes, should enter into production in 1982. The production is earmarked to supply energy for the uranium mines thus reducing oil imports. Another mining venture on the agenda is the opening up of a phosphate deposit, put at 250m tonnes, near the southern border with Benin and Upper Volta.

Hopes of discovering exploitable oil also exist. Texaco has found oil at Madama-Termit about 300-kilometres north of Lake Chad. Other oil companies including the French Elf-Erap, are perservering with exploration. The results are still unreported, but economic planners in Niamey have finally begun to smile.

Fokker-VFW makes firm offer to Japan's TDA

BY CHARLES SMITH

TOKYO, June 27.

FOKKER-VFW, the Dutch-West German aircraft manufacturer which is competing with British Aerospace for the supply of short-haul airliners to Japan's Toa Domestic Airways, today made a formal sales offer to TDA. The offer was presented to the president of TDA by the sales director of Fokker-VFW International, Mr. A. R. Buley.

Its terms, including price and the number of aircraft covered, are being kept secret. Mr. Buley did say, however, that the company was guaranteeing a fixed price to be paid on delivery of the first aircraft in 1981. He also claimed that the Fokker F-28 Mark 6600, the version developed to meet TDA's needs, was 19 per cent cheaper to operate than the BAC One-Eleven in terms of seat kilometre cost. The development of the Mark 6600 from Fokker's earlier Mark 6000 version of the aircraft had involved a "very simple" lengthening of the fuselage to accommodate an additional 15 passengers (giving a total capacity of 100), Mr. Buley said.

He declined to reveal how many Mark 6600s Fokker would have to build for the new version of the aircraft to be a viable proposition. However, Fokker had undertaken to launch the project with an order for fewer aircraft than TDA was ultimately expected to need.

Fokker's formal offer to TDA comes more than six months after British Aerospace submitted a firm offer for the 670 version of the BAC One Eleven (also developed specifically to meet TDA's need for a quiet aircraft with a short take-off capacity). The two European offers are regarded as the main contenders for an order which may start with only three to five aircraft but is expected to reach at least 12 aircraft and possibly as many as 20.

A proposal put forward last week by McDonnell Douglas for the development of a revised version of the DC9 carrying 126 passengers is regarded as being wide of the mark because the aircraft would be too large for TDA's estimated needs and would also probably take too long to develop.

Mr. Buley stressed today that the F28 is a "European aircraft" with a large British component. The wings are built by Short Brothers and the aircraft is equipped with Rolls-Royce engines.

Reuter adds from Tokyo: A British aerospace mission today met senior officers of the Japanese ground defence forces to try to interest them in buying Britain's Harrier jumpjet fighter. A spokesman for the company said the nine-member sales mission would make a presentation to Japanese aircraft industry leaders tomorrow. The export price of a Harrier is about Y2bn ($9.7m) he added.

However, the chances of sales are thought to be low as Japan has just agreed to buy the American F-15 fighter.

KLM-Iraq airline deal

BY CHARLES BATCHELOR

AMSTERDAM, June 27.

KLM Royal Dutch Airlines said it had signed an agreement giving Iraqi Airways access to KLM's computer-controlled automatic reservations system.

The system, known as CORDA (Computerised Reservations Royal Dutch Airlines) will link Iraqi Airways offices in Baghdad, Basra and Mosul as well as in other Middle East countries and Europe, with KLM's computer centre in Amstelveen, south of Amsterdam, from April 1, 1979.

It will allow immediate confirmation of reservations, hire-car and hotel bookings. KLM has already signed similar agreements with seven airlines including Viasa, Iran Air, Pakistan Airlines and Air Anglia.

KLM also announced it has ordered two flight simulators, for Douglas DC-10s and Boeing 747s from Canadian Aviation Electronics (CAE) of Montreal for Fl20m ($9m).

KLM already has one DC-10 and together with Swissair and SAS, a Boeing 747 simulator. But recent orders for more 747s and the transfer of crews to other aircraft make the extra equipment necessary. Its training centre at Schiphol will be considerably expanded in the next few months.

Western unity on trade urged

BY REGINALD DALE, EUROPEAN EDITOR

THE WEST should join forces to meet the problems posed by low-cost imports from newly industrialised countries (NICs), Mr. Jacques Groothaert, Director-General at the Belgian Ministry of Foreign Affairs and Trade, said in London yesterday.

Mr. Groothaert, who is responsible for external economic policy in Brussels, told the Belgian Chamber of Commerce that Western Governments must put an end to the current cut-throat competition in export credits on sales to Third World markets. Such competition was extremely dangerous as at some point there were going to be losers, he pointed out.

Mr. Groothaert said the industrialised countries were likely to face extreme difficulties in financing their exports in view of the ever-increasing demands for longer, more favourable credits from developing countries. Today's terms would have been unthinkable a few years ago.

Secondly, Mr. Groothaert said the Western nations should understand that they could no longer all produce everything. Some projects in the Third World were of such scope that they could only be undertaken by joint efforts.

The Western countries would have to accept they were creating competitors by helping new countries to industrialise. The West would have to at least partially reconvert its industries to more sophisticated technologies and would have to do it jointly.

Mr. Groothaert said he was not suggesting that the Western steel and textile industries should be dismantled overnight. Any protective action, however, must only be temporary, so as to avoid the dangers of retaliation.

Western governments would have to accept that in five to 10 years they would no longer be able to base their economies or their export industries on items like steel and textiles. If the West did not help the Third World to industrialise it would be playing into the hands of Moscow and Peking, who wanted to see the capitalist system fail, he argued.

Reuter adds from Geneva: World trade negotiators have called a special meeting next Monday to hear the views of some 30 developing countires which feel left out of the multi-naitonal trade talks. The secretariat of the General Agreement on Tariffs and Trade (GATT) confirmed it had scheduled a session of its trade negotiations committee, which is expected to last one day.

Eximbank approval likely for $240m loan to Algeria

WASHINGTON, June 27.

THE U.S. Export-Import Bank has tentatively approved a $240m direct loan to Sonatrach, Algeria's State-owned oil and gas monopoly to help finance construction of a liquefied natural gas plant.

Eximbank has advised Congressional leaders that this project at Arzew will be Sonatrach's second plant to liquefy natural gas from the huge Hassi R'mel gas fields for export to various countries. Total cost of the LNG plant will be about $1.7bn.

The U.S. export credit agency said that it will require about $360m in U.S. equipment and engineering services to be provided mainly by the Pullman Kellogg division of Pullman of Houston Texas and by Air Products and Chemicals of Allentown, Pennsylvania.

The Eximbank loan at 8.5 per cent annual interest is subject to review by the House and Senate banking committees before its Board can give final approval.

Sonatrach obtained earlier credits from the Eximbank to help finance its first LNG processing plant at Arzew. That plant, said the Eximbank president, Mr. John Moore, is now nearing completion and will be a major gas supplier to the U.S. market.

Mr. Moore said the arrangements have not been completed for the sale of gas from the second LNG processing center but this gas also may be exported to the U.S. or to Western European markets or to both.

Algeria, Mr. Moore said "already has sufficient sales contracts" to use the output of both of the processing facilities.

In addition to the $240m direct Eximbank loan the agency said Sonatrach would cover about 15 per cent of the cost of U.S. equipment and engineering services with $48m in cash payments and would borrow another $32m from private lenders.

AP-DJ

£10m credit for Ghana

BY MARK WEBSTER

GHANA is to have a £10m credit line to cover selected imports, the Export Credit Guarantee Department announced yesterday. The credit line will be provided by the Standard Chartered Merchant Bank. It will be the first significant life line of credit extended to the Ghanaians.

The loan will be conditional on the repayment of some £7.6m of outstanding short term debt insured by the ECGD. The terms of the repayment have still to be finalised.

Ghana urgently needs the loan in order to restore its international creditworthiness. Between 1971 and 1978 ECGD withdrew all cover for exports from Britain because of Ghana's intractable debt servicing problems.

It is hoped that the new line of credit will be the first step towards re-establishing Ghana on the international money markets. The insistence that the new credit will be used for spare parts, tyres and agricultural equipment illustrates the concern of the lenders that the new credit should be used for Ghana's most pressing needs.

The loan is of considerable psychological importance to the Government of General Ignatios Acheampong. The Ghanaian economy has been going from bad to worse in recent years with increasing receipts from cocoa sales not covering an ever-growing budgetary deficit.

In July, 1977, the Ghanaian authorities announced a series of measures designed to correct the budgetary imbalance, absorb excess liquidity and get the domestic banking system more actively involved in financing the productive sectors of the economy.

Budget proposals for 1977-78 showed a deficit of Cedis 520m (£241m) compared to an originally estimated deficit of C484m (£232m) for 1976-77 which turned out to be an actual deficit of C924m (£444m).

ECGD's decision to reopen credit to Ghana reflects the country's efforts to improve revenue collection and clamp down on the widespread corruption. Increased receipts from cocoa sales and cocoa export duty are expected to produce an increase in total revenue of around 45 per cent for 1977-1978.

But cocoa prices have been unpredictable on international markets and other measures have been introduced by the Government to raise revenue including higher duty on cigarettes, beer, wheat and salt.

CBI finance conference

BY MARY CAMPBELL

THE CONFEDERATION of British Industry (CBI) is organising a conference in London to inform British industrialists on how three of the major multinational lending agencies function. It is felt that British companies have not been getting their fair share of projects funded by these institutions.

There will be speakers from the Asian Development Bank, the World Bank and the European Development Fund together with speakers from companies which have had the experience of working with them. Mr. John Tomlinson, MP, Parliamentary under secretary at the Ministry of Overseas Development, will also attend the conference. It is being held on July 6 at the Cafe Royal.

Nigerian imports warning

BY OUR OWN CORRESPONDENT

LAGOS, June 27.

NIGERIA'S MONTHLY import bill in recent years of about N730m compared with average monthly earnings, mostly from crude oil exports, of about N400m, the Federal Finance Commissioner, Major General James Oluleye has pointed out here, warning of the damages of such an imbalance.

"We have been importing nearly everything we consume in this country, from shirts and other clothing to motor vehicles, from machinery and building materials to raw materials and food items," he told bankers and insurance executives at a reception.

He said it was regrettable that Nigeria had been running down its foreign exchange reserves in order to finance current consumption of foreign imports. "We can therefore justly but shamefully be called a nation of importers," he said.

General Oluleye said that following the glut in the world oil market, Nigeria's revenue was declining. It was therefore imperative that Nigerians should consume less foreign imports and develop local resources, especially in agriculture.

"This dwindling oil money should now draw our attention to the traditional basis of our economy which is agriculture. We should strive to increase agricultural production not only to be able to feed ourselves but also our manufacturing industries," he said.

He added that the Federal Government was determined to carry through its recent budgetary controls on non essential imports and channel its investment into productive sectors in order to ensure adequate supply of goods and services.

Oil barter negotiations

By Our Own Correspondent

LAGOS, June 27

NIGERIA IS renegotiating contracts worth 176m naira with Yugoslavian and South Korean shipbuilders, in which payment will be made in crude oil, according to the Business Times, a Lagos newspaper in which the Nigerian Government has a majority stake.

The report said the shipping contracts were among several which were being reviewed following a shortfall in Nigeria's revenue from oil exports.

In terms of the contracts, awarded last year, Split of Yugoslavia was to build eight multi-purpose vessels for N85m, while the order from Hyundai of South Korea was for 11 cargo ships costing N91m.

The Business Times said the Yugoslav shipyard had accepted the barter arrangement, but the Koreans were having reservations because their refineries process cheaper heavy crude oil, imported from the Gulf states, which are comparatively closer.

Although Nigeria is committed to substantial capital development projects, the Government has placed a temporary embargo on the award of heavy contracts. Some foreign imports have been banned while internal tax machinery has been strengthened.

Sharp rise in cargo traffic handled by Chinese ports

BY COLINA MacDOUGALL

CHINA'S SEAPORTS handled over 50 per cent more cargo in the first half of this year than in the same period of 1977. There was a marked increase in the volume of coal, ore, iron and steel, and oil handled, the New China News Agency reports.

In the absence of official figures, this is some guide to the rate at which China's foreign trade is growing. While the volume of trade in the first half of last year was unusually low because of the political troubles which followed Chairman Mao's death, the current increase still represents an impressive rise.

The rapid expansion of cargo-handling is due to better organisation and use of capacity, rather than the introduction of new equipment. The NCNA quotes Shanghai, China's biggest port, as an example of newly-effective co-ordination with railways, foreign trade departments and inland water transport.

Much still remains to be done in this field, however, and Peking's plans to import large quantities of foreign technology will require port modernisation. Shanghai is still about 15 to 20 years behind Western development in cargo-handling.

Two Chinese delegations, one a group from the important mission led by Ku Ming, Chinese vice-minister of Construction, recently visited the British Transport Docks Board's ports of Hull and Immingham to study British success in updating old docks.

Mr. J. Keith Stuart, managing director of the BTDB, who vited China last January, estimated that it might take seven to ten years to bring Chinese ports up to the same standard as Hull, for instance.

The costs of this kind of modernisation are a fraction of the investment required to build a new port from scratch. At the old port of Whampoa in South China, container facilities are already being installed and plenty of space has been left for future construction.

So far Chinese ports have few facilities for handling containers, bulk cargoes or roll-on, roll-off traffic. The Chinese missions to Britain showed particular interest in mobile cranes, and the transporter crane and straddle carriers in use at the Hull container terminal. China bought large consignments of cranes from Britain in the early 1970s.

High level of Soviet debts 'may lead to imports curb'

PARIS, June 27.

THE SOVIET Union and other European Communist nations are so deep in debt to the west that they may soon have to curb imports of goods.

This was the burden of a report to-day by the planning and evaluation unit at the Organisation for Economic Co-operation and Development (OECD) which estimated that the Soviet Union and its allies owe about $47bn to international banks and western governments.

The debts stem from imports from western countries, chiefly of sophisticated manufactured goods, which were worth nearly $28bn, compared with fewer than $4bn in 1976. The Soviet Union, which also imported significant amounts of foodgrains, accounted for almost half the total, OECD statistics show.

Since about 1970, Soviet bloc exports have been unable to keep pace with imports, thus creating a trade deficit with OECD countries which reached $9bn in 1975 and is now at about $6bn.

The deficits have been financed mostly by increased borrowing, and many of the loans are coming due for repayment in the early 1980s.

"It is most unlikely that eastern exports and borrowing will suffice to permit continued growth of OECD exports at past rates," said the report, published in the bi-monthly OECD Observer.

"Some levelling off seems likely at the high end of the range and, on plausible assumptions, some decline in the level of OECD exports to eastern Europe is quite possible."

The report defines Soviet bloc countries for its calculations as those belonging to the Council for Mutual Economic Assistance, known in the west as COMECON. There are the Soviet Union, East Germany, Poland, Czechoslovakia, Hungary, Romania, Bulgaria, Cuba and Mongolia.

The OECD experts offer several explanations for the sudden spurt in Communist imports from the west and the readiness of Communist Governments to finance their deficits by borrowing—bad harvests in the Soviet union in the early 1970s—recession in the west, which pushed western companies to seek new markets for their goods and left international banks with available funds; a deliberate decision in Communist countries to raise growth rates by importing high-technology equipment; a corresponding increase in western export credits, willingness by western bankers to lend to the east and a loosening of restrictions which had been imposed for security reasons in cold war days.

Although they have not kept pace, annual exports from Communist countries have grown by $22bn including $5.5bn worth of Soviet oil and gas, from just under $4bn in 1965.

But, the OECD economists pointed out, Soviet oil exports are unlikely to continue growing, because of rising demand within the Soviet Union and the expense and difficulty of developing new fields. "Some experts even believe that, by the early 1980s, declining production and domestic needs will force a reduction," they added.

Other traditional eastern European exports — Textiles, clothing, shoes and furniture—also are unlikely to rise, because they remain what the report called "relatively unsophisticated products."

AP-DJ

EEC's boycott evidence

BY MAURICE SAMUELSON

REPRESENTATIVES OF the European Commission are expected to give their views about measures to counteract the Arab boycott, when a House of Lords Select Committee transfers its hearings to Brussels the week after next. Mr. Tom Normanton, Conservative MP for Cheadle and a member of the European Parliament's economic and monetary committee, said yesterday that there was a strong desire inside the Parliament and European Commission for firm EEC resistance to discriminatory practices. But the Council of Ministers, representing member governments, lacked the political will to issue a unanimous directive.

However, pressure was growing among European MPs and he believes it could lead to some form of directive by the Council within the next five years. The EEC would also be strongly influenced by recent American anti-boycott legislation, and by the British Foreign Boycotts Bill, being studied by the Lords' committee under the chairmanship of Lord Redcliffe-Maud.

Mr. Normanton, a former president of the British Textile Employers' Association, welcomed the Bill, sponsored by Lord Byers, despite criticism of it by the Liverpool Cotton Exchange, who feared it would harm their interests.

Fiat may assemble in Austria

BY PAUL LENDVAI

VIENNA, June 27.

THE PRESIDENT of Fiat, Mr. Giovanni Agnelli, today for the first time officially confirmed here that his company and Steyr-Daimler-Puch, the leading Austrian motor concern, are seriously negotiating about a major project involving the assembling of Lancia cars in Austria.

In an initial phase, there would be an annual output of 15,000 three-litre Lancia models.

Mr. Agnelli was speaking at a festive meeting here today commemorating the 30th anniversary of the co-operation.

During this period, some 60,000 Fiat cars were assembled in Austria in addition to an aggregate import of 300,000 units from Italy. Mr. Agnelli also said that the project, which is still being studied, would involve investments of about $120m to $150m.

The idea has long been rumoured in informed circles after the failure of negotiations conducted by OIAG, the holding company for nationalised industries, with the West German Porsche firm.

As a result of Austria's public intention to set up a motor industry, most Western producers hastened to place small orders for components in Austria, thus Fiat also purchased last year components worth Sch. 600m, as against exports of Sch. 300m to Austria.

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Navy order will hit hydrofoil project

BY LYNTON McLAIN

PLANS BY British Shipbuilders to build hydrofoils in under-used shipyards have been undermined by the Government only days before the Royal Navy places a £10m order for a Boeing Jetfoil craft.

Mr. Michael Casey, chief executive of British Shipbuilders, said last month that hydrofoil manufacture was one of the options open to the corporation in its moves to diversify from traditional shipbuilding and to provide more jobs.

This course appears to have been ruled out for the time being by a Ministry of Defence decision to buy the first hydrofoil for the Royal Navy off the shelf from Boeing, which has rejected the idea of building its hydrofoils in partnership with Britain. Such a scheme could, however, became "negotiable" in the future, Boeing said.

Last night the company said a decision was only two or three days away. The Royal Navy said it was "reasonably close."

By opting for Boeing, the Ministry of Defence will have robbed British Shipbuilders of the chance to have a majority stake in building hydrofoils, in partnership with another U.S. aerospace corporation.

Invitation

The Grumman Corporation of New York had invited Vosper Thornycroft, part of British Shipbuilders, to build at least 50 per cent of its Flagstaff hydrofoils. These have been in production since 1968, and are in service with the U.S. Coastguard.

Grumman said that Vosper could build the hull, sub-systems, and provide engines and other equipment for the first hydrofoil for the Royal Navy if the Flagstaff was chosen.

Mr. Charles Rabel, marketing director for hydrofoils in the Grumman Corporation, said last night that the next generation of fast patrol craft, which could be hydrofoils, would be needed at a rate of 40 a year within 15 years.

"Once our production was established in the U.K., this could become our base for selling hydrofoils to the world," he said.

But the Ministry of Defence is understood to have only a short-term interest in hydrofoils, for trial purposes. The seven Island class offshore protection vessels, whose role will be simulated by the Jetfoil, will not need replacing for ten to 15 years.

Boeing has also had talks with Vosper Thornycroft, but these have not involved the partial manufacture of the first Jetfoil for the Royal Navy.

Barclays to open Saturday branch

BY NICK GARNETT AND MICHAEL BLANDEN

A BRANCH of Barclays Bank will next month become the first clearing bank branch with full services at weekends since Saturday morning opening was abolished nine years ago.

The move follows agreement with the bank's staff association and the National Union of Bank Employees — which generally oppose Saturday and evening opening.

The Branch at the Brent Cross shopping centre, North London will open from 9.30 a.m. until 5 p.m. weekdays and 9 a.m. to 6 p.m. on Saturdays, generally in line with shop hours.

The bank and the union emphasised yesterday that the branch was a special case and the new arrangements would not be a precedent for changes at other branches.

The union believes, however, that Barclays will eventually suggest Saturday opening at a small number of other selected sites. The bank has assured the unions that it will not propose similar arrangements for other branches for at least 12 months.

Barclays, which has been under pressure from retailing interests to extend hours at Brent Cross, operates the only branch in the complex which is largely isolated from other shopping facilities.

Mr. Leif Mills, the NUBE general secretary, said yesterday that Barclays were also aware that the Bank of International Credit and Commerce had been prepared to come into the complex with a branch operating similar banking hours.

The union and the staff association have negotiated an average working week of about 34 hours for the Brent Cross staff.

New shift payments will involve rises of between £321 and £1,065 a year which will be further boosted in the annual pay settlement, also due in July. The new payments represent a rise of about 21 per cent on salary.

The agreement for Brent Cross comes at a time when the major banks are closely assessing the structure of their branch networks.

Barclays recently announced a programme which will involve a total of 130 branch closures over the next 12 years while Midland is experimenting with a form of satellite banking in a number of areas.

Yesterday the other big three banks said that they had no immediate plans to explore the possibility of Saturday opening at their branches.

At present, all of the banks have extended opening hours during the week at a limited number of branches while Lloyds, through its Lewis's Bank subsidiary, has special arrangements for in-store banking.

Tyneside fire fund £74,000

A FUND set up to help the dependents of eight men who died in a fire on board the warship Glasgow at Swan Hunter's Neptune Yard on Tyneside two years ago closed yesterday at £74,000.

Industrial strategy 'does not aid growth'

By Our industrial Editor

THE GOVERNMENT'S industrial strategy will not contribute "one iota" to the profitability or growth of chemical companies according to Dr. D. M. Bell, president of the Society of the Chemical Industry.

Speaking at a debate organised by the society in London yesterday, he said that its only "somewhat cynical advantage" was that it "kept the Left-wing of the Labour Party from interfering too much."

'A good team'

He thought that Mr. Eric Varley, Secretary for Industry, and Sir Peter Carey, the Department of Industry's permanent secretary, were a "good team" because of the way that they "kept the rest of the Government and Whitehall from damaging industry."

Answering Dr. Bell, Mr. John Warne, an under-secretary in the Department, said the industrial strategy "creates an environment in which you can make the Government work for you." There was a new degree of Government accessibility and accountability to industry which now had the chance itself to help shape policies.

Public 'must pay more to insure home contents'

BY ERIC SHORT

A WARNING that the public would have to pay significantly higher premiums for insuring the contents of their homes was given yesterday by a leading insurance executive.

MR. RON PEET
The new chairman of the British Insurance Association.

Mr. Pat H. Bartram, general manager of the home division of Sun Alliance Group, speaking at the annual Press conference of the British Insurance Association said that UK insurance companies were experiencing severe financial pressure on their domestic accounts, primarily from house contents insurance.

In the past few years, the number of claims has risen sharply on this type of insurance. Crime losses had risen very steeply and people in general were making claims for quite minor damage on their contents policies.

In addition, the general level of premiums remained low, despite all efforts by the insurance companies to encourage policyholders to index-link contracts, with the average premium last year only £12. This meant that administration costs for contracts were rising with inflation and not being fully offset by increases in premiums.

Rates to rise

Mr. Bartram forecast that the rates for contents would have to increase by 50 per cent over the next two or three years. The basic premium rate for contents insurance — at present 25p per £100 sum insured — has remained unchanged for over 50 years.

He considered the rate would rise to 37½p per cent. An excess provision might be introduced whereby the policyholder paid the first part of each claim, thereby cutting the administratively expensive small claims.

Other insurance executives present at the meeting were, however, less dogmatic on the likelihood of lifting premium rates for this class of business.

While most admitted that their UK domestic accounts were causing problems, they did not feel that it was imperative to take such drastic action and thought that more effort should be made to get the public to insure adequately their home contents.

There were hints that the principle of averaging may be reintroduced whereby claims are scaled down in proportion to the amount of under-insurance, in cases where the sum insured was "grossly inadequate."

Leading insurance executives also refuted the recent criticism levelled against the UK insurance industry by insurance managers of British Leyland and Guest Keen and Nettlefolds. The UK insurance industry has been accused of being old fashioned in its attitude to new insurance risks and inadequate in meeting new challenges.

Executives at the BIA meeting pointed out that insurers charged what they considered was the correct premium for the risk being insured, with the aim of not making underwriting losses overall. They were not going to get involved in a price-cutting war with overseas insurers.

BL had complained that it could not get adequate products liability insurance at the right price, while GKN objected more generally to the cost of insurance in the UK compared with certain overseas insurers.

The UK insurance executives were content at this stage to await developments. They pointed out that if they were making excessive profits on their underwriting there would be a case for cutting rates. But they are still working hard to break even.

Men and Matters Page 18

Case for equal pension ages under review

CHANGES in State retirement pension ages were among topics put forward for debate yesterday by the Government in a discussion document on problems of old age.

The document examines the case for an equal retirement age for men and women, to bring men nearer equality and deals with the problems of introducing change. It stresses that the implications of changes in pension age would require much further study.

On pensions and use of resources for old people, the discussion document asks: "Is there a case for a higher pension rate at a fixed age without regard to individual need, or would it be more preferable to provide more services for the very old?"

A pledge to look after the interests of the old was made yesterday by Mr. Eric Deakins, Parliamentary Under-Secretary at the Department of Health and Social Security.

"Speaking for the Government I want to say that we are determined to ensure a happier old age for our senior citizens," he said at the launch of the Open University's course on the aging population.

£3.5m scheme for Larne

DETAILS OF a £3.5m expansion programme at Larne Harbour, Northern Ireland, were outlined yesterday by Mr. Keith Wickenden, chairman of European Ferries, which owns the port.

Mr. Wickenden, speaking after the opening of the port's £1m Chaine Quay and two-tier ferry ramp, said a contract had been placed for a second ramp.

Plans were also advanced for a new passenger terminal to serve Townsend Thoresen and Sealink services to Cairnryan and Stranraer.

New liner for P & O Cruises

P & O CRUISES has bought a 12-year-old, 27,000-ton liner, the Kungsholm, from the New York-based Flagship Cruises.

The company would not disclose the price. The ship was built in the John Brown yard, Clydeside, for the Swedish-America Line.

Mr. H. F. Spanton, chairman of P & O Cruises, said the expansion of the cruising fleet reflected confidence in the passenger cruise sector, in which the company increased its pre-tax profits last year to £6.1m

The ship will be re-named within P & O's Princess series before starting Australian cruises early next year. She will undergo a refit, increasing cabin space from 400 to 482 units. Tenders are to be invited.

A second outdoor swimming pool will be added to what is described as the vessel's otherwise luxury class facilities.

Wales Gas bid to boost supplies

By Our Welsh Correspondent

WALES GAS is seeking approval from the British Gas Corporation for a £43m investment programme over the next five years to boost transmission capacity.

The programme, part of which has already been given the go-ahead and is underway, is to meet increased demand, particularly from industry.

Major schemes are planned for Cardiff, Newport and Swansea where demand is approaching the maximum supply capacity, but all parts of Wales are included in the programme.

Most gas pipelines in Wales were laid in the 1950s and can no longer cope with an increasing demand.

The £43m outlay is the biggest programme of its kind in the 12 British Gas regions, representing 37 per cent of the total investment in transmission capacity planned over the five-year period.

When completed in 1983, it will have added 250 miles to Wales' gas transmission mains—making a total of 1,300 miles—and will provide a 40 per cent increase in the gas carrying capacity.

Modern gas pipelines are being deliberately built slightly larger than necessary for storage as well as transmission purposes.

Call to limit prices of technical books

BY DAVID CHURCHILL

THE PRICE COMMISSION urged book publishers yesterday to limit price rises for technical books "for a considerable period."

This follows discovery in a sector report on the book industry, published yesterday by the commission, that profit margins on technical books were twice those for other types of books.

The commission decided against recommending blanket price restriction on technical books, as not all technical publishers had increased their margins. It plans to monitor rises sought by technical publishers closely.

Its investigations into the book industry showed that seven of 29 large publishers accounted for 84 per cent of technical book sales in 1977. The other 22 sold few technical books.

The seven technical publishers had profit margins in 1975 similar to those of the general book publishers.

But in 1976 they had net profit margins of 15.4 per cent, twice that of the other 22 companies.

Profit margin for technical publishers improved further in 1977, while that for the others showed little change.

The report emphasises the commission's concern "that technical books appeared to have contributed disproportionately to the recent increase in profitability of the seven firms."

The Publishers' Association says that an independent survey of prices of technical books sold shows that while prices have risen by 49 per cent., the retail price index rose by 68 per cent over the same period.

The average price of all books sold in the UK was 63 per cent, according to this survey.

On the book industry in general, the Price Commission's report says that competition is strong for publishers of fiction and general books, though less strong for technical publishers.

There is considerable enterprise and innovation in publishing, it adds, suggesting that "there may be scope for further improvement."

Such innovation includes identifying special markets, such as gift books, or introducing new outlets by selling own-brand boks in multiplestores.

"More of the traditional publishers might profitably adopt such as positive marketing approach, widening the whole market for books and moving beyond the implicit assumption that readers, of necessity, represent a limited clientèle," the report says.

Experiment

In the technical field, "there may be scope for experimentation in news and cheaper ways of passing on printed information using methods that might at present be regarded as unconventional."

The report opposes greater uniformity in trade discounts, relying instead on the "forces of competition."

Mr. Roy Hattersley, the Prices Secretary, intends to consult interested parties about the report's findings, though no immediate action is planned.

* *Prices, costs and margins in the publishing, printing and binding, and distribution of books. SO, price £1.50.*

Five records for modern artists in Christie's auction

SALEROOM

BY ANTONY THORNCROFT

WITH THE leading international art dealers in London for Monday's auction of von Hirsch Impressionist pictures at Sotheby's, Christie's seized the opportunity to sell Impressionist and modern paintings yesterday for £2,485,600.

The top price was £350,000 from the New York dealer Stephen Hahn for *Nu dans l'eau* by Renoir. This picture of a female nude, painted in 1888, is related to his large canvas *Les grandes baigneuses* now in the Philadelphia Museum of Art. It was the property of the late Baron Hatvany.

The £250,000 Renoir

There were five auction records for artists, the most significant being the £185,000 paid by the Le Fevre Gallery of London for a view of *The Pool of London and Tower Bridge* by Andre Derain. A similar picture is in the Tate Gallery. The previous best for the artist was the £93,600 set at Sotheby Parke Bernet in 1970. All lots carry an additional 10 per cent buyers' premium.

The Swiss dealers, Forum Fine Art, paid £160,000 for Cezanne's *View of Medan*, painted in 1885 when the artist visited the novelist Emile Zola there. A similar view is in the National Gallery of Scotland.

An anonymous buyer, bidding on behalf of a Canadian client, paid £120,000 for Chaim Soutine's *Page Boy at Maxims*. This was another artists' record, beating the £94,500 set in New York last year.

Five works from the collection of the late Dowager Duchess of Marlborough, who died at the age of 96 in November, sold for £219,000. They included a Degas pastel, *Danseuses* for £70,000; another Degas *Trois Danseuses* for £65,000; and a Toulouse-Lautrec *Femme assise sur on canape rouge* for £58,000. This newly-discovered work was bought by the Piccadilly Gallery.

Other notable prices were the £88,000 from the Los Angeles dealer Ansley Graham for a portrait of a girl by Modigliani which was sold by the Gordon Small Charitable Trust; the £85,000 from Forum Fine Art for Monet's *Scene a Port Villez*; and the £70,000 from Beyeler, the Swiss dealer, for a Degas pastel of dancers.

Meanwhile at Sotheby's yesterday morning, eight items of Meissen porcelain from the von Hirsch collection sold for £170,500, bringing the total for the collection to more than £16m, even before the important evening sale of Impressionist water colours.

A new auction record for a piece of European porcelain was set with the £105,000 paid by a Cologne museum for an extremely rare Meissen white porcelain figure of a macaw, dating from around 1725. It was modelled by Kaendler and made for the Japanese Palace at Dresden of Augustus the Strong. The previous record was £78,750.

A Meissen "Augustus Rex" vase with "English birds," dating from 1765, sold for £27,000, and Zeltz, the dealer who has been so active during the von Hirsch sales, paid £21,000 for a rare "Augustus Rex" *famille verte* vase and cover of 1725-30.

Sotheby's also sold important Continental porcelain from the collections of Baroness Eugene de Rothschild, and others, for £158,620, with a small 3.1 per cent bought in. Two "Augustus Rex" Meissen bird cage vases made around 1731 and once the property of the Kings of Italy, each sold for £14,000.

A Swiss dealer gave £12,500 for a Capodimonte snuff box of around 1748 and two Meissen figures modelled by Kaendler, of Harlequin and an actor, realised £10,000 each.

Sotheby's Belgravia had a good, solid, auction of Victorian paintings which realised £303,975 with only 9 per cent unsold. The top price was the £9,500 paid by Roy Miles for *An Embroidery* by Albert Moore. A similar work by Moore entitled *A Palm Fan* sold for £6,500 to another London dealer, Owen Edgar.

A Message from the Sea by Millais sold for £9,000, as against the £4,800 which secured it in the same saleroom in 1972, and Roy Miles gave £7,500 for *Charone and Psyche* by John Stanhope. He also paid £6,000 for *Choosing* by John Godward.

The Christie's afternoon auction of Impressionist water-colours and drawings made £297,430, with top prices of £32,000 for a Degas drawing *Femme se peignant*, also from the Marlborough collection, and £24,000 for a Chagall *La Lutte de Jacob*.

At Christie's South Kensington, a good photographic sale totalled £49,842 with a portrait by Roger Fenton of a Nubian model reclining taken in the 1850s, selling for £5,400 an auction record for a photograph on paper.

Oil-from-tyres plant decision close

BY DAVID FISHLOCK, SCIENCE EDITOR

A DECISION is close on whether Britain will build what may be the world's first commercial plant making oil by distilling old car tyres.

Batchelor Robinson Metals and Chemicals, the Birmingham specialists in recycling materials, said yesterday that by October it expected to decide whether to build a plant for recycling 50,000 tonnes of tyres a year, at a capital cost estimated at £2.5m.

Results from a pilot plant that distils 6-12 tonnes of tyres a day, built and operated by a Department of Industry laboratory, were looking "extremely encouraging," Mr. Peter Kavanagh, a director of Batchelor Robinson, said yesterday.

He estimated that since 1975 his company had invested about £500,000 in the process, known as pyrolysis, which converts the *rubber directly into* a light fuel oil by low-temperature destructive distillation.

The fuel oil, low in sulphur but otherwise very *similar* in quality to its counterpart from the refinery, is produced at about 450-500 degrees Centigrade with an air-free atmosphere in the chemical reactor.

What remains is mainly a *coke-like char and a tangle of* steel wire "akin to a giant Brillo pad," Mr. Kavanagh said.

Once they have been separated magnetically, the char will be *sold as pulverised solid fuel, for* example to a cement maker, and the 7,000 tonnes of steel wire a year as scrap steel, a business in which Batchelor Robinson is already engaged.

Ultimate

"We see the plant as the ultimate hole in the ground for people who have to get rid of *tyres, namely the remoulders.*" Mr. Kavanagh said. Because of the concentration of tyre remoulding activities in London and the *Home Counties*, that seems the likely area for the first plant.

According to Mr. Kavanagh, the 50,000 tonnes of tyres would re-emerge as 20,000 tonnes of refined oil, 15,000 tonnes of char and about 7,000 tonnes of steel wire.

Destruction of car tyres by pyrolysis is a technology that has engaged several large chemical groups, including the tyre-makers, at considerable expense for several years.

The essence of the process *operating at the Department of* Industry's Warren Spring Laboratory, under the direction of Dr. A. J. Robinson, is its simplicity, Mr. Kavanagh says.

The laboratory designed, built and subsequently modified the pilot plant for Batchelor Robinson, although the technology belongs to the company.

For the past few months the plant has been running with yields of oil in excess of 40 per cent. Dr. Robinson believes its early difficulties, mainly in mechanical handling of the tyres through the plant, have been overcome. Badger, the engineering contractors, have produced initial designs for a commercial plant.

Oil industry 'should retain bigger share of profits'

FINANCIAL TIMES REPORTER

GOVERNMENT MUST allow the oil industry to retain a greater share of its profits if steep *petrol price rises are to be* avoided, said Mr. John Winger, vice-president of Chase Manhattan Bank, yesterday.

Energy use had consistently *kept pace with the rise of Gross* National Product in Western industrial countries. Future growth depended upon a great expansion of energy sources, including petroleum, Mr. Winger told the Financial Times conference on Scottish finance and industry.

The capital costs of discovering new resources were, however, likely to be enormous: "Compared with the *actual* capital expenditures of the past decade, the required investment in the 1975-1985 period is likely to be three times greater," he said.

Some of these funds—about a quarter—could be obtained from the capital market, and a further quarter from depreciation and from other capital recovery provisions. But one half of the industry's capital requirements to 1985—estimated at $660bn.—would have to be provided out of profits.

That in turn would require the amount *of profit to be taken* by the oil companies to rise from $0.86 per barrel at present to $2.36 by 1985. Since that target was politically unrealistic, an energy shortage would result.

"Although the gross revenue of the industry has risen substantially in recent years as a consequence of the higher consumer prices, most of the increment has flowed *to* various governments rather than to industry. And, therefore, too little money has become available to support the capital investment needed to accommodate expanding petroleum markets."

The only solution possible, therefore, was a cut in the amount of money levied by governments as taxes.

Mr. D. W. A. Donald, general manager of the *Standard Life* Assurance Company, said that total wealth in Scotland had not kept pace with the population wishing to share it nor the resources available to produce it.

The prosperity of Scotland in the 19th century was narrowly based on inter-dependent heavy industries which were now declining. However, that *historic* prosperity was also partly due to the propensity of the Scots people to save. Deposits per head had greatly exceeded those in England, and it was in the 19th century that the Scottish life assurance companies had grown to be the largest in the country.

These companies were now concerned, however, at the future course of devolution and specifically over the possible requirement to cover domestic liabilities with domestic assets.

"*It may be taken as a reasonable* assumption that, under devolution, the currency in Scotland will not be other than the pound sterling; but even granted this, how does one decide the Scottish content of the investments one normally makes in order to determine whether Scottish savings are being reinvested in Scottish prosperity? *There is no way of splitting UK*

FINANCIAL TIMES
SCOTTISH FINANCE AND INDUSTRY
CONFERENCE

Government borrowing, for *example, between England and* Scotland and hardly any way of similarly splitting shareholdings of large industrial companies."

The difficulties facing the companies in an independent Scotland would be so severe that many would be forced to leave to protect the larger part of their business.

Mr. Dennis Kirby, deputy *director of the European Invest*ment Bank, said that Scotland had benefited greatly from UK membership of the Common Market.

Scotland had received £400m of the £1bn worth of EIB loans to the UK since accession in 1972. *Taking other EEC sources* into account—such as the European Coal and Steel Community and *the European Regional Develop*ment Fund—aid to Scotland from EEC sources totalled around £600m.

The EIB was created to improve the prosperity of the poorer regions of Europe, to modernise some industries and to assist improvement in communications.

"In a community of 250m with economically *strong areas* such as Germany and the Low Countries can obviously channel a far greater volume of help to *needy regions* than any component government. Thus there may be a better chance for community regional policies acting in concert with national policies than for the latter alone."

Scottish banks had grown at a rapid rate over the past six years and future growth would be found on the international *scene, said Mr. James Young,* general *manager* of the international division of the Bank of Scotland.

Scots banks had pioneered the overdraft, had anticipated the International Monetary Fund's Special Drawing Rights scheme, and were the first commercial banks to be organised on the principle of limited liability. Yet *they had consistently* turned away from possibilities of growth in the 19th and 20th centuries.

However, the banks had always kept substantial overseas *interests* and now counted a number of multi-national companies among their clients. All three clearing banks—the Clydesdale, the Royal and the Bank of Scotland—had recently opened *overseas branches.*

International development had been most marked in the growth of non-sterling lending, and a concomitant growth in deposits.

"*In 1971 the three Scottish* banks' total foreign currency deposits amounted to less than £21m. By 1976 the total had risen to nearly £622m. In April 1978 the total of currency deposits had risen still further to some £1.44bn.

"On the asset side of the ballance sheet, the position is even more astonishing. In March *1972 total loans in foreign* currency amounted to £29m. In September 1976, only 4½ years later, it had risen to £581m, over 20 times as high. And this growth has continued. By April 1978, the total had risen to £954.6m," he said.

Oil was not the major reason why a large number of foreign banks had come to Scotland in *the past 10 years, said Mr. J. C.* Kearney, senior vice-president, Bank of America.

The reason why so many foreign banks had come to Scotland was that Edinburgh was the largest UK financial centre after London and that a higher proportion of industrial output (18 per cent against 15 per cent) was exported from Scotland compared with the rest of the UK.

Closure of ethylene plant hits output

BY SUE CAMERON

THE CLOSURE of ICI's ethylene plant at Wilton, Teesside, last week has started to hit the com*pany's* output of polyethylene.

ICI said yesterday that it had had to shut some individual polyethylene "streams" at Wilton although production at other sites was not affected.

It stressed that supplies to outside customers would not be affected because stocks would last for several months.

The company said the closures would not lead to employees being laid off in the immediate future. Those affected would be given alternative jobs.

When these ended they would still be subject to one week's notice.

ICI closed the ethylene plant because of a shortage of skilled instrument artificers and a dispute with trade unions over a proposed retraining programme.

Managers from Wilton held a meeting with convenors of the Amalgamated Union of Engineering Workers and the Electrical and Plumbing Trades Union to discuss the situation vis a vis the instrument artificers.

But a company spokesman said later that "no further progress" had been made.

Ethylene is one of the so-called building blocks of the chemical industry, and is used in making polyethylene, poly vinyl chloride, ethanol and polystyrene.

Avon to boost cosmetics output in Midlands

FINANCIAL TIMES REPORTER

AVON, the U.S. direct-selling cosmetics multinational, is to expand its UK base at Northampton by building a new plant on a nine-acre site.

Mr. Brian Crosby, managing director of Avon in the UK, refused to give any further details on the value of the new investment yesterday.

But the planning application showed that total jobs at the site would remain roughly unchanged at 900, according to Northampton Borough Council. Planning per*mission to build a new factory* had been granted last November.

Work on the new site will begin immediately, and the new premises should be operating by *mid-1980*. Avon plans to increase production to meet growing demand for its cosmetics in the *UK and on the Continent.* In last year's annual report, it forecast an average growth rate of 10 per cent for Europe.

In April, Avon, which com*mitted itself last year to new* investment in Europe of $30m, said it was undecided whether to base its extra manufacturing capacity in England or Ireland. It is understood that Avon decided on *Northampton in spite* of keen competition from the Irish Government.

Store in women's credit probe

BY ADRIENNE GLEESON

DEBENHAMS and the Equal Opportunities Commission are to co-operate in a study of the stores group's credit policies, *with particular reference* to equality of treatment for married women.

The findings will probably be published in a report with recom*mendations which both parties* hope will be taken as guidelines for the whole retail sector.

Some 80 per cent of Debenhams' customers are women. The group says it has not and would not wittingly have discriminated against them in provision of credit. But the Commission is applying itself to the problem *of* indirect discrimination of the kind shown by several retail companies recently in setting out their credit *requirements*.

Such discrimination might, for example, take the form of requiring two years' tenure of the same job, a condition not *easily met by* married women of child-bearing age. Or it might require the applicant to be a houseowner or principal tenant, again a requirement which most married women could not meet.

Debenhams pleads guilty to having applied the first form of unwitting discrimination, but says its decision to co-operate *with the Equal Opportunities* Commission is evidence of its firm desire for amendment.

Commercial radios claim more listeners

BY CHRISTOPHER DUNN

THE LONG-RUNNING Audience Research dispute between the BBC and commercial radio flared again yesterday with figures claiming that independent radio now accounted for nearly a third of all listeners in the areas where it operates.

BBC's May listening survey, published last week, had shown that commercial radio's market share was only 15 per cent.

According to commercial radio's survey, compiled by the Joint Industry Committee for *Radio Audience Research* (JICRAR) last April, Britain's 19 independent stations accounted for 186m hours per week in listening of the 581m hours broadcast by all the stations.

BBC's Radio One came next with 146m hours of listening, or 25 per cent of audiences, followed by Radio Two with 20 per cent, and Radio Four with 13 per cent.

Mr. James Gordon, chairman of the Association of Independent Radio Contractors, which commissioned the JICRAR survey, claimed that commercial radio had increased its brand leadership position by three percentage points since the last survey in April, 1977.

But the BBC survey showed that Radio One, accounted for 35 per cent of all listening time in May, closely followed by Radio Two with 28 per cent.

"There is a yawning gap in *credibility between the two sets* of figures, and the BBC do themselves no good by drawing attention to it," said Mr. Gordon.

He added that the BBC figures were produced by themselves for themselves, while the commercial radio statistics were produced by an independent research organisation to a specification agreed by an independent body.

The BBC said that the discrepancy between the two sets of figures might be explained by different sampling methods.

The BBC measured its audience on a daily basis, while JICRAR took a three-week sample once a year. Moves have been made for the two bodies to pool their research effort but so far *no firm decisions have been* made.

UDT car warranty plans extended

FINANCIAL TIMES REPORTER

UNITED DOMINIONS TRUST has extended the range of its motor warranty plans for new and used cars and now offers nine from which dealers can select those best suited to their customers' needs.

Cover is provided by UDT's wholly-owned subsidiary, The Continental Guaranty Corporation, and insurance covers two categories—standard warranties and executive warranties. Both provide cover against mech*anical defects*, baggage and personal effects, towing fees and car hire for up to 60,000 miles.

EEC hints at cash for airliner plans

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE EEC may be able to help with financing new civil aircraft development programmes in Europe, which is likely to cost as much as \$2bn (more than £1bn).

The Commission, in a new study on future European aircraft, emphasises that it is not its responsibility to intervene directly in determining which aircraft should be developed. It considers that primarily a matter for the manufacturers and with the airlines.

It adds, however, that there are means by which the Commission could help to develop a significant European aerospace industry, especially for civil aircraft.

Tariffs

Possibilities include measures to create a bigger internal European market for airliners; measures to help defray the costs of new programmes; and adjusting tariffs on imported aircraft, especially from the United States.

The Commission clearly sees a European aircraft strategy evolving round the development of the Airbus Industrie A-300 Airbus in all versions, including the proposed smaller B-10 model, and the "Joint European Transport" (JET) series of aircraft, seating between 136 and 188 passengers.

It also sees the Airbus Industrie consortium as the focus of those programmes, modified to take account of additional responsibilities.

Fares cuts

The Commission is less enthusiastic about the development of smaller jet airliners such as Britain's proposed HS-146 feeder-liner. The EEC study says the recent cancellation of the West German VFW-614, an airliner designed to fit that category should "provide food for thought about the chances of economic success in the small jet aircraft sector."

Means by which the Commission might help development of new aircraft include reductions in air fares in Europe to stimulate competition and a bigger market for airliners. "A more competitive domestic European market should lead to innovation and flexibility of services, improve efficiency and lower prices to consumers."

On finance, the Commission says the magnitude of the proposed outlays on launching new programmes and the importance of the programmes in the long term "may justify the provision of Community resources in forms to be determined within existing financing machinery, perhaps using the new financial instrument to be employed on restructuring, or the budget aids, or the European Investment Bank."

Relationship

The study adds that the Community as a whole can play an important role in supporting European aircraft producers' efforts to sell outside Europe, as it is in Japan.

"Efforts of this kind, if made on a Community basis, could have an immense effect in our overall relationship with other industrialised countries and help to give the European aircraft industry a reasonable position again in the world."

Amoco Cadiz crew criticised by board

BY PAUL TAYLOR

SIR GORDON WILLMER, chairman of the Liberian board of inquiry investigating the Amoco Cadiz disaster, hinted yesterday that he thought the crew of the tanker did "too little, too late."

In the first explicit indication of how the board is thinking, Sir Gordon, a former High Court Admiralty judge, suggested to a witness that as soon as the tanker's steering gear failed at 9.45 am on March 16, the crew should have called for tug assistance and prepared both anchors for dropping.

Hindsight

Sir Gordon asked Mr. Cosmo Vaudo, second mate on the Amoco Cadiz, if he had ever heard of the phrase "too little, too late." Mr. Vaudo replied he had not.

Sir Gordon then asked Mr. Vaudo to look back on the casualty with the benefit of hindsight and say whether he thought it would have been "sensible" to take some "drastic steps" when the steering gear first failed, instead of waiting about one and a-half hours until an examination of the steering gear revealed it was beyond repair.

Mr. Vaudo answered: "At that moment—No." This was because the crew did not know what was wrong with the steering gear and whether it could be repaired.

Asked whether it would have been a "sensible precaution" to radio for assistance immediately instead of waiting, Mr. Vaudo said: "I think not."

Port anchor

The second mate told the board that when the port anchor was finally dropped at 8.25 that evening it was "impossible to drop the second anchor because the weather had worsened and the deck around the starboard anchor was awash."

Support for the tanker crew came yesterday from Captain Leslie Maynard, an independent safety officer on board the Amoco Cadiz at the time of the disaster.

Captain Maynard described Captain Pasquale Bardari, master of the Amoco Cadiz, as a "good captain" who did the best he could do in the circumstances.

However, Mr. Sidney Kentridge, counsel for the German tug that went to the floundering tanker's assistance, questioned crucial evidence given by Captain Maynard on the wrangle between the tug master and tanker captain over the salvage contract. He queried whether Captain Maynard was justified in believing that for much of the time the tug had a line aboard the tanker it was not towing.

● NEWS ANALYSIS—CHEMISTS' PAYMENTS

Bitter pill to swallow

BY DAVID CHURCHILL

BRITAIN'S 10,000 High Street chemists yesterday angrily demanded that a two-year deadlock in negotiations over National Health Service remuneration should go to arbitration. The chemists backed their demand with a lobby of MPs at Westminster and a petition signed by more than 1m customers calling for a swift decision by Mr. David Ennals, Secretary of State for Health and Social Services.

Mr. Ennals has already made clear that he is unwilling to go to arbitration until the results of a recent change in the distribution of chemists' remuneration has been given a longer trial. The retail chemists, however, claim that the Government's intransigence will further accelerate the decline of the small chemist shop—a decline that makes it harder for the sick or elderly to find a convenient chemist to get a prescription dispensed.

Already some 4,000 chemists have closed over the past 17 years and closures are continuing at a rate of about 250 a year.

Small one-man chemist shops are facing severe pressures, not only from rising costs but also from stiff competition from the larger multiple chemists and supermarkets. It is little wonder that they find the Government's attitude towards them an increasingly bitter pill to swallow.

The dispute which sparked off the chemists' public display of anger and frustration at Westminster yesterday started in 1975 when the DHSS re-calculated the formula on which chemists were reimbursed for prescriptions dispensed.

The Department contended that since chemists were holding smaller stocks of drugs, the fee for prescriptions filled, which took account of stock levels, should be reduced accordingly.

Chemists estimate that this move has reduced their total income by some £17m, since 1975—a loss that has severely hit cash flow for many chemists who were already making an inadequate business return.

In fact chemists point out that the reason they were forced to reduce their stocks of drugs—most chemists hold about £5,000 worth of medicines—was inflation and a shrinking return on capital employed. A report from the consultant accountants Coopers and Lybrand, prepared for the chemists' negotiators, concluded that the return on capital allowed by the DHSS for chemists would need to rise by 10 per cent from its present level of 16 per cent to make NHS prescription work viable.

Such a rise had to take into account the fact that the rate of inflation for drugs is presently running at 21 per cent a year—about three times the national inflation rate.

Because chemists are unable to make sufficient profits from their prescription work, they have been forced to cut stocks, which in turn has led to the reduction in prescription remuneration.

The effect of this spiral is shown by the drop in cash return expressed as a percentage of turnover, a traditional measure of profitability in the distributive industry. This shows that gross profit has fallen from 32 per cent in 1964 to 21 per cent at present. Net profit has slumped too over the same period from 4.6 per cent to 2.9 per cent.

The department's view is that it is not the job of the NHS to provide the capital required for chemists' expansion. However, the chemists point out that since the Government "buys" drugs from chemists at historic cost price, rather than current value, the only way chemists can maintain stock levels is if profits at least keep pace with inflation.

Yet profit after tax has for years failed to keep pace with inflation, the chemists claim, because the Department has not allowed a sufficiently high return on capital.

Mr. Ennals, however, believes that the prescription fee issue should be decided after the new method of remuneration distribution has been given time to work. This system—which basically means that larger chemists get a smaller prescription fee than small shops—was put forward by the chemists themselves, and subsequently adopted by the Department, as a way of helping out the one-man chemists.

Chemists say the redistribution of remuneration is a separate issue from the dispute over profit margins arising from reduced stock levels.

They also point out that with fewer chemists dispensing a growing number of prescriptions every year, the Government is reaping the benefits of substantial productivity savings at no extra cost.

This dispute is exacerbated by long-term problems for High Street chemists. They include loss of medicine sales as many non-prescription drugs are sold by supermarkets. In addition, the drop in the number of doctors' surgeries has meant a resulting loss in business for nearby chemists who regularly filled most prescriptions made by the local doctor.

At present the chemists have ruled out any form of industrial action as being against the interests of the community they seek to serve. But if petitions and appeals continue to make no impression on the DHSS, chemists may eventually come to the conclusion that drastic action is needed in the short term to save them from extinction.

Canal freight tonnage has dropped–Howell

BY LYNTON McLAIN, INDUSTRIAL STAFF

MR DENIS HOWELL, Environment Minister, yesterday accused a Commons select committe of ignoring "factual evidence" about Britain's canals in a report in the British Waterways Board published in March.

He said it was astonishing that the select committee on nationalised industries had ignored the "dramatic drop in freight tonnage on the canals and the increasing share of the board's income which comes from Government subsidy."

Mr. Howell was commenting on the Government's official reply to the accusations by the MPs, published yesterday. The MPs had called for the transfer of the British Waterways Board from Mr. Howell's Environment Department to the Transport Department.

He said that this was based on the mistaken belief that freight was a major factor in Britain's canals system. Out of the 2,000 miles of canals in Britain, only 300 miles were suitable for freight. The rest had to be used for recreation.

Mr. Howell's reply was criticised as "disturbing" by Sir Frank Price, chairman of the British Waterways Board.

London office for Eurobank

By John Lloyd

THE EUROPEAN Investment Bank (EIB), based in Luxembourg, is to open an office in London for an experimental one-year period. Because of "increased activity in Britain and a need for closer day-to-day connection between banks, Government and potential clients." The only other EIB branch is in Rome.

Since 1973 the EIB has lent £1bn to projects in the UK. The Government has paid in £80m over the period. Last week, the EIB's subscribed capital was doubled to £4.5bn, bringing its loan and guarantee limit to £11.2bn.

Big UK companies plan more sub-contracting

BIG BRITISH companies plan a sharp increase in the amount of work they sub-contract in July-September, according to Manpower, the international work contracting group.

The group's latest quarterly survey of employment prospects, based on reports from 1,368 of the biggest British companies, suggests that rather than take on additional labour to handle any increased workload, companies intend to contract the work out.

The survey shows that employers are no more willing to take on extra staff than they were 12 months ago: 19.8 per cent expect to increase staff in July-September, compared with 20 per cent last summer.

However, more companies are increasing their level of sub-contract work. Now 14.1 per cent say they will use sub-contractors more in July-September, compared with only 8 per cent last year.

Earlier surveys found that between January and June, employers' intentions to take on more labour were well up on the same period last year.

Tether explains why he publicised dispute over column

MR. C. GORDON TETHER, the Financial Times writer sacked after a dispute about the editor's control of his column, told a London industrial tribunal on its 43rd day yesterday of his belief that by publicising the row in the year before his dismissal, he would make it more difficult for the newspaper to "do the dirty" on him.

Mr. Tether, 64, who wrote the Lombard column for 21 years, was dismissed 20 months ago. He seeks reinstatement and compensation and claims that he was unfairly dismissed.

Mr. Tether said yesterday that it had been suggested that he publicised the dispute to provoke the Financial Times into dismissing him. This never occurred to him, he said. One of the main reasons why he brought the dispute into the open was that important issues of press freedom were involved.

NUJ rules

It had been suggested that by arranging for articles banned by Mr. Fredy Fisher, the editor, to be published in other journals he was flouting the rules of the National Union of Journalists. But the evidence of Mr. Robert Norris, the union's national organiser, showed there was nothing in the union's rule book which stated that members should not make public statements while a dispute affecting them was being considered by the national disputes procedure.

Mr. Tether said it was unfair to suggest that he was trying to frighten the newspaper by publicising the dispute, although by then he had become greatly concerned about bad faith on the part of the Financial Times.

His correspondence with public figures at that time would show his strong suspicions that the ultimate intention was to force him out of the paper. He believed that publicity would make it more difficult for the paper to "do the dirty" on him.

Mr. Tether added: "It did not seem to me reprehensible when faced with a situation in which I saw my whole career, stature, reputation and life's work being threatened by people with unworthy motives, to take steps to do whatever I reasonably could to defeat that threat."

Mr. William Wells, QC, the tribunal chairman, asked: "What are the unworthy motives you ascribe to the management of the Financial Times?"

Mr. Tether: "To drive me out of the paper: to silence my voice."

Describing the "fateful days" immediately before his dismissal Mr. Tether alleged that the Financial Times did not have reasonable grounds for considering that the final finding of the three-a-side national disputes committee—that the establishment of an acceptable working relationship between the parties was unattainable through its efforts—had brought the procedure to an end.

It was the newspaper's duty before deciding to dismiss him to ask the union at national level whether it saw the procedure as being over.

But the only person consulted was Mr. Mark Van De Weyer, the father of the union's office chapel, and, as Mr. Van De Weyer had told the tribunal, by the time he was called into discussions with the management, Mr. Fisher had decided that Mr. Tether's column was going to end.

The Financial Times had attached significance to the view of Mr. Van De Weyer that the disputes procedure was over. But the newspaper did not investigate whether Mr. Van De Weyer was in a position to speak for anyone other than himself.

He thought that the Financial Times "beat the pistol" because the procedure could not be said to have been exhausted until the union's national executive met to discuss what had happened

A much more important question arose from the events of the disputes procedure: whether the Financial Times could reasonably have taken the view that his unwillingness to attend a working relationship meeting in the editor's office meant that he was not willing to collaborate in efforts to establish such a relationship.

He had made it plain that he was willing to meet the editor in the offices of the Newspapers Publishers Association, having received legal advice not to attend a meeting in the editor's office.

Imperative

The Financial Times had taken an "astonishingly inflexible attitude" to the venue of the working relationship meeting. That attitude made it impossible for him to meet the editor. It was more unreasonable because by then the newspaper contemplated dismissing him. Surely it was imperative to ensure that the meeting took place whatever its venue, he said.

He alleged that the Financial Times exploited the finding of the disputes committee to find an excuse to dismiss him.

Mr. Tether said that the Financial Times counsel had devoted a substantial part of his cross-examination to suggesting that he was exploiting every angle for his own purposes; that he was trying to frighten the newspaper by publicising the dispute and that he was changing his line when things were not going his way.

But these allegations were all based on documents which were not in the hands of the Financial Times at the time of his dismissal.

It was plain that the Financial Times was trying to use these documents for the purpose of attempting to besmirch his character and in particular to foster the impression that he was a thoroughly unreasonable person; the aim presumably being to prejudice the minds of the tribunal members against him.

The hearing was adjourned until today.

HOME CONTRACTS

A £10m contract to supply the British Gas Corporation with polyethylene pipe has been won by **STEWARTS AND LLOYDS PLASTICS**, part of the British Steel Corporation's tubes division.

The contract, which will last for three years, is the largest ever awarded to the Huntingdon-based concern. The polyethylene pipe and fittings will be used to supply natural gas to consumers in the North-East, West Midlands and North Thames regions.

The bulk of the order is for service pipe of between 20mm and 63mm outside diameter.

FINN CONSTRUCTION has a contract from Gaoulous NV for the redevelopment of Trevor Place, Knightsbridge. Valued at £3.5m, the work includes construction of 22 houses and an underground car park.

★

The Mond Division of ICI has awarded **HUMPHREYS AND GLASGOW** a contract for the design studies and detailed engineering in connection with the first phase of extensions to the chlorinated hydrocarbons facilities at the Runcorn works.

COMPANY ANNOUNCEMENT

Time to marshal all South Africa's economic resources

The following is an abridged version of the address by Mr. L. W. P. van den Bosch, President of the Chamber of Mines of South Africa, at the 88th annual general meeting of the Chamber in Johannesburg on 27th June, 1978:

In the past year gold mining benefited from an increase in the average gold price and from the ready availability of Black labour. The mineral industries generally made a substantial contribution to the growth in exports, thereby playing a prime role in the spectacular improvement in this country's balance of payments. The singular performance of the mining industry, despite critical problems arising from the high rate of escalation of working costs, was the major force behind the economy's slow movement out of the trough of this country's worst post-war recession. In consequence the Government has recently been able to take steps towards stimulating growth on a selective basis. With the possibility of a return to somewhat higher growth rates, it is as well that there are signs of a more pragmatic approach by the Government to internal political problems, particularly in the direction of the progressive removal of racial barriers to employment.

MINERAL PRODUCTION AND TRENDS

The value of South African mineral sales in 1977 amounted to R5 531 million, an increase of 23.1 per cent over 1976's record total. This increase was achieved at a time when prices for a number of base minerals were depressed as a result of disappointing growth rates, slack levels of capital investment and general economic uncertainty in most of the world's leading industrial countries.

Despite these difficulties 1978 looks set for a further expansion in earnings from South Africa's mineral exports. The higher prices being received for exports of gold, uranium, copper, diamonds and the platinum group metals, plus a steady expansion in coal exports and the start of exports of rutile, zircon, titanium dioxide slag, and iron through Richards Bay, should ensure further growth in the value of exports in 1978.

Coal is currently being exported through Richards Bay at the rate of 12 million tons per annum. In some 15 months time the capacity of the railway line and harbour will be increased to 20 million tons and investigations are in hand to determine the means by which coal exports can be further increased.

The strength of the world demand for uranium, and plans by Chamber members to increase productive capacity to satisfy this favourable market have been features of the past three years. The industry's uranium production rose once again last year, exceeding the previous year's total by 25 per cent.

The combined value of long term and spot sales is considerable. On the basis of the present price of uranium, new business concluded during the past 12 months is of the order of R1 300 million.

GOLD MARKETS

The market continued to be dominated by the industrial offtake for gold with jewellery demand growing in most of the developed world and with a high level of jewellery demand being maintained in the Middle and Far East. The last four months of 1977 were, however, characterised by a large increase in short-term investment or speculative demand brought about by the decline of the US dollar vis-a-vis other major currencies in foreign exchange markets.

The additional investment demand for gold continued to dominate the market in early 1978, at one stage pushing the price up to over 190 US dollars per ounce. The market is at present more stable due to the relatively quiet conditions in foreign exchange markets, but the potential exists for further substantial investment in gold. The continued deterioration of the international

Mr. L. W. P. van den Bosch

economic situation, sustained worldwide inflationary pressures, plus the possibility of further uncertainties in exchange rates, have undermined investor confidence in a number of assets competing with gold.

MARKETING AND PROMOTION OF GOLD

Sales of uncirculated Krugerrand coins improved substantially in the second half of 1977 and this trend has continued into 1978. In January sales reached a new monthly record of 669 000. Sales for the first five months of 1978 of 2.5 million coins represent 74 per cent of the total 1977 figure of 3.3 million.

The upsurge in Krugerrand sales over the past nine months reflects the increasing investment interest in gold. The marketing effort by the International Gold Corporation (Intergold) has also contributed to this substantial success.

World consumption of gold for the manufacture of jewellery showed an estimated increase of 5.0 per cent from 932 metric tons in 1976 to 979 metric tons in 1977, a level comparable with the record years of 1970, 1971 and 1972, which was achieved in spite of a gold price which was, on average, over four times that of those years.

It is encouraging to note that in countries in which Intergold is active in the promotion field, retail sales of gold jewellery rose at a much faster rate in 1976 and 1977 than in those countries in which no work was undertaken.

MONETARY ROLE OF GOLD

The ratification of the Second Amendment to the IMF Articles of Agreement on 31st March, 1978, has important implications for gold as a monetary asset.

The ratification will enable central banks to use gold freely in international transactions, to use gold as collateral for borrowings, as a basis for domestic monetary expansion, as a means of holding international reserves and as backing for bills, bonds and contracts.

Over the past decade the monetary role of gold has gone full circle from official recognition to demonetization, resulting from the implementation of the two-tier gold market in 1968, back to the present effective remonetization of official gold holdings.

In my view, the removal of restriction on official gold dealings will lead to increasing central bank participation in the gold market which should ultimately improve its depth and stability.

The average price received by gold mines in 1977 was estimated at R4 022 per kg (US \$144 per fine ounce) compared with R3 336 per kg (US \$119 per fine ounce) in 1976, an increase of 20.6 per cent. Unfortunately working costs on gold mines continued to escalate at a faster rate than the gold price. In the last four years the costs per ton milled have increased by 25.4 per cent, 26.8 per cent, 15.5 per cent and 23.7 per cent respectively or by more than 100 per cent in total. The consequence has been that over this period the increase in working costs has neutralized the benefit of the higher gold price.

No problem facing the industry is more critical than this sustained dramatic rise in mining costs which has resulted from the high general inflation rates, the rapid increase in the wage bill, and exceptional increases in certain administered prices.

In addition, despite the containment of wage and salary increases in 1977 to between 5 and 6 per cent, a large number of mines have reported that the introduction of the eleven-shift fortnight has pushed up working costs. To maintain production many mines had to increase their underground labour force and to step up overtime payments. As a result the total wage bill last year increased by 15 per cent.

Unhappily static or declining labour productivity has been a feature of recent years. The industry has attempted to meet this challenge by entering into

88th ANNUAL GENERAL MEETING OF THE CHAMBER OF MINES OF SOUTH AFRICA

productivity-orientated wage agreements but without sustained success.

Fortunately, the urgent need to make full use of the country's manpower potential coincides with widespread acceptance embracing all political groupings in South Africa that job reservation based on racial discrimination is longer defensible or practical.

The Chamber submitted detailed evidence to the Wiehahn Commission of Enquiry into labour legislation and the Riekert Commission of Enquiry into legislation affecting the untilization of manpower. In company with the rest of private enterprise it welcomes these urgent enquiries aimed at the removal of discrimination in the workplace. To meet current and projected demands for skilled labour as well as to create the required job opportunities for the expanding population, rapidly increasing numbers of non-White workers must be absorbed into the skilled labour pool.

The Government has declared its belief that all persons have an equal right to be trained and to qualify for any position. This policy should be expressed in legislation as soon as possible. The education system must be geared to meet the demand for educated people, and the law must be so administered as to ensure equal opportunity for training and employment of all those with the necessary educational qualification. The urgent needs of the time pose a crucial challenge to the State, the employer and the trade unions who must in concert bring about change in a pragmatic and non-disruptive manner.

Despite prevailing restrictions the industry has placed increasing emphasis on the development of existing avenues of mining employment open to Black workers and seeks a progressive increase in the labour force permanently housed on the mines.

The industry is endeavouring, too, to encourage the migratory worker to return regularly to the job for which he is trained and to adopt mining as full-time employment. Some success has been attained in this area and there is a greater degree of stability within the total labour force.

THE SOUTH AFRICAN ECONOMY

At this moment of time the South African economy appears to have turned the corner at last and entered an upward phase of the growth cycle.

The vulnerable position of the current account of the balance of payments remains an area of major concern. The massive turnaround in the current account from a substantial deficit in 1976 to a comfortable surplus in 1977, which has continued into the current year, is highly satisfactory, but this was achieved during a period of economic recession and falling domestic demand. The surplus on current account will come under intense pressure if the economy moves into a more vigorous growth phase and imports start rising accordingly. For this reason every effort should be made to promote furthe growth in exports in order to maintain the current account surplus for as long as possible, bearing in mind that South Africa can no longer rely on an accommodating inflow of foreign capital to protect its reserves.

THE OUTLOOK

Despite improved prospects of acceptable political solutions in Rhodesia and South West Africa, the outlook for Africa is darkened by the apparent powerlessness of the West to thwart Soviet inspired programmes of violence, instability and unrest. It is realistic to expect that South Africa will continue to be exposed in the year ahead to international hostility, reflected in a continued decline in the availability of foreign capital, mounting pressure for economic sanctions and support for terrorist activity.

Against this threatening world background, South Africa needs to marshall its economic resources. The country faces a watershed in political, economic and social development. The key to future prosperity and peace lies in growth adequate to meet the material needs of all its peoples and to enable the country to meet the pressures likely to be imposed on it.

But South Africa cannot marshal its resources to the best advantage while controls on prices, labour utilization, the monetary system, foreign exchange markets, and all other aspects of economic life constrain the economy. No more urgent task faces the nation than to allow full rein for market forces to determine the optimum allocation and utilization of all resources, to allow greater scope for the motivation of economic incentive and to open the full benefits of the free market system to all.

The full text of this address may obtained from the General Manager, Chamber of Mines of South Africa, 5 Hollard Street, Johannesburg, 2001.

LABOUR NEWS

Tenneco bid leads union to seek consultation law

BY ALAN PIKE, LABOUR CORRESPONDENT

A MOVE to give trade unions a legal right to consultation on company takeovers was launched yesterday by the Association of Scientific, Technical and Managerial Staffs in the wake of the Tenneco bid for Albright and Wilson.

Mr. Roger Lyons, a national officer of ASTMS, said after a meeting of union representatives from Albright and Wilson plants throughout the country that his members would be asking the ASTMS parliamentary committee to seek legislation which would guarantee trade union consultation. At present Stock Exchange rules inhibited companies from providing unions with proper information on takeovers, he said.

The union, which was initially hostile to the American group's bid for Albright and Wilson agreed to withdraw pressure on the Government for a reference to the Monopolies Commission provided Tenneco can give assurances on the future of the company.

Unanimous

Mr. Lyons said that ASTMS representatives from all 12 Albright and Wilson sites were unanimous in their support for this course of action. No-one was "cheering or wildly enthusiastic" about the takeover, but they had to take account of the fact that Tenneco already had a substantial holding in the British company.

The Department of Industry is awaiting a reply from Tenneco on a series of undertakings about its plans for future control of Albright and Wilson.

These include assurances that it will maintain a majority of British directors on the board, expand employment with special regard to regional balances, consult the Government on the development of the company and before disposing of "any significant part of it and consult fully with the unions "including the fullest possible sharing of information."

If satisfactory assurances are received unions representing Albright and Wilson manual workers can be expected to follow the ASTMS line and withdraw from opposition to the bid, which shareholders are being recommended to accept.

Rover dispute man fined £50 for theft

BY OUR OWN CORRESPONDENT

THE dismissed shop steward at the centre of a dispute which has halted production at the Rover works at Solihull, Warwickshire, costing an estimated £30m in lost production and the lay-off of 10,000 workers appeared in court at Solihull yesterday.

Transport workers' shop steward Anthony Robert Tombes, aged 41, of Chelmsley Wood, near Birmingham, admitted stealing a tax disc for a motor car belonging to British Leyland and was fined £50. He also admitted six related motoring offences for which he was fined a further £70.

The company dismissed Mr. Tombes after he was stopped by police and the strike began when 80 colleagues walked out demanding his reinstatement.

Chief Inspector Alan Marriott, prosecuting, said that when first seen by police the Rover car had been displaying a tax disc but by the time it stopped the disc was no longer on the windscreen.

After questioning Mr. Tombes produced a tax disc which had been reported missing from an MG owned by BL on February 19.

Mr. Roger Richards, defending, said that Mr. Tombes had found the disc on the ground at the Rover factory. He had intended to hand it in but being a busy man had overlooked doing so.

After the hearing Mr. Tombes said he would be discussing the situation with the drivers' committee which represents the 80 men who are on unofficial strike over his sacking.

He refused to be drawn on whether the strike would continue but many of his colleagues who packed the court for the hearing were adamant that the dispute would go on.

"I have been victimised. I could name several incidents where people have committed more serious offences and not been fired," said Mr. Tombes.

TASS says BL car output must be doubled

By Philip Bassett, Labour Staff

BL CARS, formerly British Leyland, must more than double its annual production if it is to avoid "a slow but certain death," the white-collar section of the engineering workers' union argues in a new blueprint for the company's future.

The plan, drawn up by the Technical, Administrative and Supervisory Section (TASS) of the Amalgamated Union of Engineering Workers, calls for BL to expand, setting an annual target of 1.5m vehicles, with 1m vehicles this year. Last year 650,000 vehicles were produced.

The union has circulated the plan, called Collapse or Growth: an Alternative to Edwardes, to all unions attending this week's conference of the Confederation of Shipbuilding and Engineering Unions. It will be sent to all MPs and presented to Mr. Michael Edwardes, BL's chairman, at the conference in Eastbourne today.

The confederation will tomorrow debate a TASS motion on Leyland.

TASS, which has 5,000 members in BL Cars, sees failure to invest as the key to Leyland's difficulties. Lack of investment in new models has meant that BL Cars' market share has consistently fallen since 1971 while Ford, its major rival, has maintained its share.

TASS considers that BL needs investment of about £1.35bn, similar to that spent by Volkswagen on modernisation in four years and Renault's plans to spend £2.47bn in four years.

The union admits that industrial disputes in Leyland have harmed sales, but suggests that the root causes of disputes in BL would be remedied by an immediate return to "genuine free collective bargaining."

It argues that the Speke No. 2 plant in Liverpool, closed last month, should be reopened, possibly for specialist cars, and that production of greatly sought vehicles such as the Land Rover and Range Rover should be increased at the Canley plant in Coventry.

The document describes the Edwards plan for saving Leyland as "a strategy for British Leyland's slow death." It sees as the only long-term solution to Leyland's problems the public take-over of Ford of Britain, Chrysler UK and Vauxhall.

Mr. Ken Gill, Communist general secretary of TASS, said the union was convinced BL Cars could survive and prosper through expansion. The union's alternatives to the Edwardes plan offered expansion, job security and a vital contribution to Britain's industrial regeneration.

Industry 'must change to solve its problems'

BY OUR LABOUR STAFF

BRITISH INDUSTRY requires a completely new approach to its problems, Mrs. Marie Patterson, chairman of the Confederation of Shipbuilding and Engineering Unions, told the confederation's annual conference at Eastbourne yesterday.

A shorter working week, increased leisure and a secure wage were necessary.

Mrs. Patterson attacked Mrs. Thatcher's policies towards trade unions. She said the interests of trade unionists and their families would get short shrift if Mrs. Thatcher were to gain control in a General Election.

Trade unionists would be faced with "a planned campaign of deliberately staged confrontation and industrial warfare such as no previous politicians would have allowed to be contemplated." Nationalised industries were under particular threat.

The engineering industry was paying for the long period of ineffective management, lack of innovation and low level of investment. Managerial ideas of efficiency for the industry were on stick-and-carrot lines to increase the tempo of work.

The aerospace industry was "buoyant and forward-looking," she said, with trading profits of £65m. The shipbuilding industry, which was in its death throes when the Government took it over was only now receiving constructive proposals.

North Sea oil was not perhaps as great a saviour as some had seen it, and its bounty should be used constructively. The job of the trade unions was to make sure that unemployment did not grow while the profit of multinational companies was swelled by the oil.

The Government's recent White Paper on industrial democracy were "the first steps along the road." The wind of change would not blow itself out until problems covering rights of capital ownership, managerial prerogative and workers' rights were resolved.

Mrs. Patterson, a former TUC president, noted her own achievement as the first woman president of the confederation and warned that the trade union movement must not be guilty of "apartheid between the sexes."

Talks fail in Scottish bakers' pay dispute

BY NICK GARNETT, LABOUR STAFF

A MEETING between employers and union representatives under the auspices of the Advisory, Conciliation and Arbitration Service yesterday failed to reach a solution in the Scottish bakers' dispute which has been affecting bread supplies.

The dispute, which has resulted in a work-to-rule in major bakeries in Glasgow and Ayr is over Sunday attendance bonuses and consolidation of £6 still unconsolidated from pay supplements.

A spokesman for the Scottish bakery employers said they had offered to consolidate £4 of the supplements as soon as normal working resumed and to consolidate the remaining £2 at the next annual wage negotiations.

This was in return for extra productivity achieved after the Spillers-French bakery closures and for extra flexibility in existing working agreements. It had been agreed at the national joint committee for the Scottish baking industry.

The employers said, however, that at the ACAS meeting union representatives insisted that the extra consolidation should be applied by the smaller bakeries, although the employers had already made it clear that the offer applied solely to the large bakeries. Only in those bakeries had there been increased productivity to cover consolidation.

Walk-out hits Perkins

SIXTY WORKERS in the fuel injection department at the Perkins diesel engine plant in Peterborough went on strike yesterday after a colleague was disciplined for refusing a transfer. They are demanding his reinstatement without loss of earnings.

Production in other areas has not been affected, but a dispute by maintenance men earlier this month lasted for 10 days and resulted in more than 3,000 men being laid off for a week.

Law 'has not cut recruitment'

BY OUR LABOUR CORRESPONDENT

THERE IS no evidence that recent employment protection legislation has generally inhibited managements from taking on new labour, according to a report by the Policy Studies Institute, published yesterday.

The report was immediately welcomed by Mr. Albert Booth, Secretary for Employment. He said employment protection legislation had been the subject of "widespread attacks by opponents who said it placed intolerable burdens on employers.

"The evidence from this study of establishments employing between 50 and 5,000 in manufacturing industry does not support these claims," Mr. Booth said. It found no evidence that the legislation was significantly affecting recruitment. Where employers were recruiting fewer people it was primarily because they had increased productivity or had spare capacity.

The institute discovered that unfair dismissal provisions of the legislation had made the most impression on employers. Their chief effect had been to encourage reforms of disciplinary and dismissals procedures, and employers had become more careful about the quality of new staff taken on.

There was evidence that unfair dismissal regulations had reduced the rate of dismissals, particularly in plants where the dismissal rate had been very high; but no indication that managements were being inhibited from taking on new staff when they would otherwise have done so.

Managements the report said, were evenly divided over whether they believed the employment protection legislation had proved advantageous to them. Critics said it had imposed a time-consuming burden on companies and led to undue protection of inadequate employees. Supporters felt it had made managements pay more attention to personnel and manpower issues and had improved labour relations.

APPOINTMENTS

Two new main Board members at Samuel Montagu

Mr. Francis Hamilton and Mr. Ian Hendriks have been appointed directors of SAMUEL MONTAGU AND CO. from July 1.

★

Mr. D. M. Lenn has become chairman of the RUBBER AND PLASTICS RESEARCH ASSOCIATION OF GREAT BRITAIN succeeding Mr. P. Fatharly, who is taking up residence in Australia.

★

Mr. Tom McGrath has been appointed personnel director, and Mr. Doug Gilmour development director of SMITH BROTHERS (WHITEHAVEN) from July 1. The parent concern is Mardon Packaging International.

★

Mr. Roger James has been appointed a director of CONTACT DISPLAYS. He was previously production controller and remains responsible for production matters.

★

Mr. Norman Nibloe has been appointed managing director of COUNTRYSIDE BUILD (SOUTHERN), a subsidiary of Countryside Properties formed to expand private residential housing development into the southern parts of Greater London. Mr. Nibloe has spent 14 years with the Bovis Group Housing Division.

★

Mr. R. W. D. MacIntosh of Monsanto has been elected chairman of the BRITISH SHIPPERS' COUNCIL in place of Mr. R. J. C. Hill, who retires on completion of his three-year term appointment.

★

Bridon states that Mr. John Ashton, previously managing director, has been appointed chairman of ASHLOW STEEL AND ENGINEERING COMPANY, the group's major UK engineering subsidiary, in succession to Mr. Douglas Smith who remains on the Ashlow Board. Mr. C. K. Gray, previously technical director, has been made managing director.

★

Mr. Donald A. Cameron has been appointed secretary of the ROYAL BANK from July 1. Mr. Alexander McAndrew has become general manager (administration) in place of Mr. Robert N. Forbes, who retires on June 30.

Mr. M. Norsworthy has been appointed to the Board of ANGLO SCOTTISH INVESTMENT TRUST.

★

Sir Carl Aarvold has been formally appointed chairman of the RAC at the first meeting of its new Board and committee. Three years ago, Sir Carl, who is also president of the Lawn Tennis Association, was elected one of the stewards of the RAC, motor sport's final court of appeal in this country.

Mr. Sidney L. Lesser, a London solicitor and chairman of the working committee which drew up the restructuring proposals, is the RAC's new vice-chairman and, at Sir Carl's request, is acting as executive chairman for carrying out the restructure of the organisation into three separate companies covering motoring services, the club houses at Pall Mall and Woodcote Park, and motor sport activities.

Sir Carl was Common Serjeant of the City of London (1959-64) and the Recorder of London (1964-75).

★

Mr. John Mann, a member of the British Institute of Management, has been appointed secretary of the SCHOOLS COUNCIL, which supervises the curricula and examinations for schools in England and Wales. He will take up the £13,000 post on October 1.

Foot warned on Labour unrest over top pay

BY JOHN HUNT, Parliamentary Correspondent

THERE WERE clear signs in the Commons yesterday that the Government will face severe trouble from its own backbenches if it tries to implement the Boyle Committee proposal that the general level of salaries for chairmen of nationalised industries should be raised to £40,000.

The reticence of **Mr. Michael Foot,** Leader of the House, underlined the Government's embarrassment over the recommendation, which comes at a crucial stage in the negotiation of a new pay agreement with the unions.

Mr. Foot, who was taking questions to the Prime Minister in the absence of Mr. Callaghan, was given an ominous warning from **Mr. John Evans** (Lab, Newton), an AUEW-sponsored member.

Mr. Evans said that the Leader of the House should make it clear to the Prime Minister "that many of us on this side of the House are concerned at the suggestion that this Government may implement the Boyle Committee report on top people's pay."

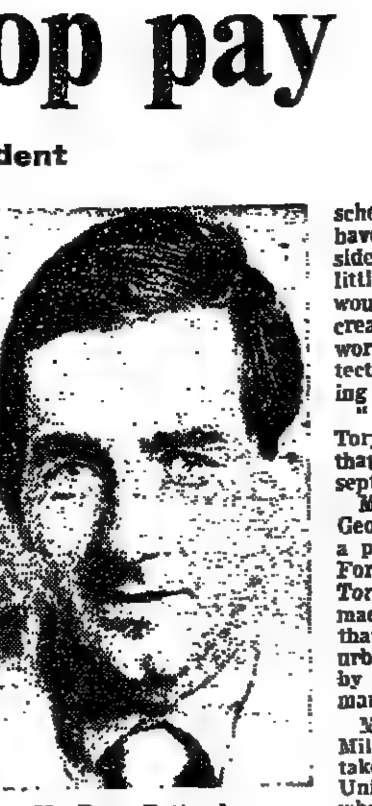
He added: "Will you point out to the Prime Minister that, if the Government implements this report, there is no chance whatever of them enjoying a further round of pay restraint from the trade union movement."

Mr. Foot discreetly replied that he took note of Mr. Evans's remarks but had nothing to say on that particular subject at the moment.

From the Conservative benches, **Mr. Peter Bottomley** (Woolwich W) wanted to know how the Prime Minister intended to reconcile the Government's difficulties over pay policy. "The present policy runs out in a few weeks' time," he said. "When is the Government going to speak on this matter?"

Once again, Mr. Foot was unforthcoming. He merely reminded

Mr. John Evans



Mr. Peter Bottomley

the House that the Prime Minister had promised a statement before the Commons rises for the summer recess.

Labour backbencher **Mr. Arthur Lewis** (Newham NW) said it was disgusting that top civil servants should get a 30 per cent increase and that there should be rumours of a 30 to 30 per cent increase for the boards of nationalised industries—all without a murmur from the Government.

This came at a time when the Prime Minister had said that he could do nothing to improve MPs' salaries, even though MPs should now be receiving £11,000 a year, had their wages kept pace with inflation since 1965.

"If he can do it for the one, why doesn't he do it for the other?" he protested

During other exchanges, Mr. Foot and Labour backbenchers ridiculed a suggestion made the previous day by Sir Geoffrey Howe, shadow Chancellor, that special "enterprise zones" should be set up in selected industrial regions, where controls would be relaxed and free enterprise encouraged.

Mr. Robert Kilroy-Silk (Lab., Ormskirk) drew attention to the large number of redundancies on Merseyside and the 600 redundancies pending at Kirby. Only a bold new Government initiative could deal with these problems.

He called on Mr. Foot to repudiate the Tory proposal for "enterprise zones," which, he believed, would make areas like Merseyside "safe havens for spivs, racketeers, speculators, ponces, exploiters and Tory crooks."

"We are having none of it," he added—a proposition with which Mr. Foot readily agreed.

Left-winger **Mr. Dennis Canavan** (Lab., Stirlingshire W.) suggested that the Conservative scheme would create tax-free havens on Clydeside and Merseyside, where there would be little protection for workers. It would increase deprivation and create lawless ghettoes where workers would have little protection under the law concerning their health and job security.

"If this idea is typical of the Tory think-tank, isn't it clear that it has become rather septic?" he demanded.

Mr. Foot pointed out that Sir Geoffrey's proposal had come at a particularly apposite moment. For Mr. Peter Walker, the former Tory Cabinet Minister, had also made a speech in which he said that the problem of the inner urban areas could not be solved by the easy application of free-market forces.

Mr. Walker had said that Prof. Milton Friedman had only to take a short cab ride from the University of Chicago to see what free-market forces had done to parts of that city.

Mr. Foot thought that this was the best speech that Mr. Walker had made for some time. All of these matters now seemed to be the subject of intense discussion in the Tory party and the sooner they announced the results the better.

The pre-election atmosphere continued with **Mr. Bruce Grocott** (Lab, Lichfield and Tamworth) complaining that the Tory party was including "extremists," such as Mr. George Ward of Grunwick on its list of candidates.

The Tories retaliated by shouting the name of Jimmy Reid, the former Clydeside Communist, who has been selected as prospective Labour candidate for Dundee East.

Mr. Foot blandly observed that some of the extremists on the Conservative candidates' list could not be worse than some of those already sitting on the Conservative benches.

Disabled exempted from £50 car tax

By Ivor Owen, Parliamentary Staff

OVER 100,000 disabled car owners in receipt of mobility allowance will no longer have to pay the £50 Road Fund licence fee as a result of a tax concession announced by the Government last night.

Mr. Robert Sheldon, Financial Secretary to the Treasury, told the Commons Standing Committee that the change will be introduced in a new clause to be moved at the report stage.

This relief, urged by MPs of all parties, will cost the Inland Revenue about £3.5m a year, rising to £5m when the mobility allowance, introduced in July 1976, is fully phased in.

The mobility allowance is now £7 a week, and will rise to £10 a week from July 5.

Mr. Sheldon suggested that the concession would help more disabled people to run a car, and improcve their prospects of finding employment.

Government assurances that, under the terms of a new clause announced in May, redundancy payments up to £19,000 will be free of tax failed to satisfy Tory MPs and led to a tied vote—15-15.

Mr. John Pardoe (Lib North Cornwall) and Mr. Enoch Powell (UU Down S) voted for a Conservative amendment which would have raised the new £10,000 limit for tax-free redundancy payments—embodied in the Government new clause—to £17,000.

In accordance with precedent, **Mrs. Joyce Butler** (Lab, Wood Green), chairman of the committee, voted against the amendment and the Government new clause was added to the Bill in its original form.

Mr. Joel Barnett, Chief Secretary to the Treasury, explained that through the effect of "top slice relief" the new £10,000 limit meant that, for married men, redundancy payments up to £19,000 would be free of tax.

Support

Tory MPs disputed his calculation and argued that there would be more certainty if the figure of £17,000 were written into the new clause. They tried to enlist the suport of Mr. Robert Cant (Lab, Stoke Cent) who, for eight years, has been fighting to prevent the closure of the Shelton steelworks, which effectively went out of production last Friday.

He insisted that there must be no room for doubt that the redundancy payments made to steelworkers from Shelton escape tax.

Mr. Barnett stated that, apart from possibly one or two exceptions, redundancy payments to steelworkers were unlikely to exceed £16,000. But he assured Mr. Cant that through the operation of the "top slicing" provision, payments to married men of up to £19,000 would be free of tax. Should any uncertainty arise after further checking, the Government would put the issue beyond doubt at the report stage of the Bill.

Mr. Cant joined with other Government supporters in voting against the amendment.

A Conservative attempt to relax a further provision in the new clause designed to counter tax avoidance through commutation of pension rights was defeated by 17 votes to 13.

Tories positive on race relations, says Whitelaw

BY RUPERT CORNWELL, LOBBY STAFF

MR. WILLIAM WHITELAW, Conservative home affairs spokesman, reiterated last night that his party would not adopt the enforced repatriation of immigrants under its new tougher programme unveiled last April.

The Tory deputy leader also flatly denied reports that, once in government, the Conservatives would seek to introduce identity cards as a means of checking illegal immigration. "There is not one shred of truth in this allegation," he told a Bow Group meeting in London last night.

The proposals, which will be a key part of the Conservative manifesto for the nevt general election — almost certain this autumn—were part of the Tories' "positive" approach to race relations, andw ould help put an end to immigration "on the scale we have seen it in post-war years."

The generally defensive tone of Mr. Whitelaw's speech testifies to the increasing specticism at the practical effect of the programme, which was made public shortly after recommendations issued by an all-party Select Committee of MPs at Westminster.

There is every sign that immigration will be a prominent theme in the election campaign. But hte topic looks much less of a vote-winner for the Conservatives than it did when Mrs. Thatcher first publicly raised it in her now famous television interview at the start of this year.

On repatriation, the Conservatives were already committed, under the 1971 Immigration Act, to provide assisted passages for those who wished to return home.

Mr. Whitelaw . . . attacked 'malicious stories'

Mr. Whitelaw suggested that the terms of these might be improved where necessary. "But beyond that we will not go," he declared.

"I challenge Mr. Ron Hayward, general secretary of the Labour Party, to repudiate publicly the malicious stories about the Conservatives seeking to send all coloured people home, apparently coming from Transport House, I tell him again that these are totally untrue."

The Tory deputy leader condemned the National Front for its immigration policy. The Front, he said, was an "anti-intellectual, anti-democratic movement whose sole idea of a policy is to exacerbate racial tension."

The Tories would do their utmost to reduce support for that body, he pledged.

The target was to provide stability in the UK by ending substantial new inflows from any source. This would secure equal treatment for immigrants under British law, while the entire population of the UK could be shown that the Government knew, through a register of dependants, a revised nationality law, and an across-the-board quota system, that there was a defined limit to the number of those entitled to entry.

"In this way, we can allay the undoubted fears and anxieties that there is no prospect of an end to tht influx from overseas of new people," Mr. Whitelaw said.

Names of 79 companies 'undesirable'

SINCE NEW Companies Act regulations came into force in April last year, the Registrar of Companies has served notices on 79 overseas companies carrying on business in this country under a name he considered undesirable, **Mr. Clinton Davis,** Trade Under-Secretary, told the Commons last night.

In a written answer, Mr. Davis said 49 of these companies were using the word "bank" in their names, and most of the remainder had names thought to be over-similar to those of other companies already registered here.

"Apart from a few cases, which are being pursued, the companies receiving notices have either ceased operations in this country or have adopted, or are in the process of adopting, names acceptable to the department."

Tory peers seek return of Chilean engines

TORY PEERS, pressing for the speedy return to the Chilean Government of four Rolls-Royce aero-engines held in Scotland, were told yesterday by Government spokesman, **Lord Winterbottom,** that he hoped the strong views expressed in the Lords might accelerate a decision.

Lord Winterbottom had said earlier that the Hamilton Sheriff Court ruling that the engines should be returned was "a matter between Rolls-Royce Limited and the Chilean Government."

Pressed by Tory peers, led by **Lord Carrington,** Opposition leader, Lord Winterbottom said: "If it were straightforward, it would not have taken so long."

Lord Carrington: "Why is it not straightforward?"

Lord Winterbottom paused, and there were Tory cries of "Answer, answer." Then he said: "Because this is a very sensitive subject about which large groups of people have very strong views.

"Consideration has been going on and the strong views of this House will, I hope, accelerate the decision."

Lord Winterbottom made it clear that the Government's only role was the consideration of an export licence, without which the engines could not leave the UK.

The engines, which were returned to Britain for overhaul in 1973, have been held at East Kilbride since 1974, having been declared "black" by unions opposed to the Chilean regime.

Viscount Massereene and Ferrard (C) said: "It is not a very good advertisement for our export trade if we deny our customers their property, presumably because their politics are not sufficiently Marxist to please the unions involved.

"When is the Government going to realise that they are the Government of this country, the whole country and not just the lap dog of the unions?"

Lord Murray of Gravesend (Lab) said that the action of the Chilean Government and its attitude towards political prisoners brought it into disrepute with people who believed in democracy.

Lord Winterbottom said that if this issue was always taken into consideration, there would be very few countries with whom we could trade.

GEC strikers face dismissal

COMPUTER STAFF on strike at the GEC Telecommunications factory in Coventry were warned yesterday that unless they resume normal work next Monday they will lose their jobs.

A second warning went to 100 contract engineers, saying they would not receive their full money unless they worked normally from today.

Twenty employees in the computer room have been on strike for several weeks over a pay claim. A letter from the management told them to accept the wage offer or be dismissed.

The other group of workers walked out on Monday over their pay grievance. Today they joined the computer staff in a protest picket of the plant.

A third group of GEC employees is also demonstrating against what they claim are pay anomalies at the company. They are 200 foremen and supervisors from all departments who yesterday carried out a one-day stoppage over the breakdown in their pay talks.

Hestair to cut 80 jobs

EIGHTY PRODUCTION workers, staff and senior management employed by Hestair, the agricultural machinery manufacturers, at Peterborough, are to lose their jobs.

The group plans to move trailer production to its Leeds factory.

"Hestair manufactures farm equipment in six different locations and this is being reduced to five," said Mr. Ian Ross, the managing director.

HOME CONTRACTS

A £500,000 order for anti-pollution incineration plant has been awarded to **HYGROTHERM ENGINEERING,** Manchester, by Woodall-Duckham, on behalf of the British Steel Corporation. The order covers design, installation and commissioning of two incinerators to destroy a mixture of gases and vapours containing a high proportion of ammonia, as well as associated control equipment and a free-standing stack 76.2 metres high, at Ravenscraig, near Glasgow.

*

JAMES DREWITT AND SON has a £195,000 contract for extension to the RNLI Depot—Phase II, Poole, Dorset. Work has started and should be finished by February, 1979.

MPs' catering halted by three-hour strike

BY RUPERT CORNWELL, LOBBY STAFF

MINISTERS and MPs endured a dry and hungry evening last night as catering workers at the Palace of Westminster carried out a three hour strike to press their demands for pension rights and improved allowances.

From 6.30 p.m. the dispute closed bars, restaurants and cafeterias, which normally teem with customers during the peak evening period. All functions were cancelled and no refreshment was available for constituents visiting their MPs.

The 250 strikers have two main grievances on which they say the committee of MPs which handles catering has refused to negoiate: the complete lack of a pensions scheme and their request for better holiday allowances to make up for forfeited days off.

Mr. Bernie Prendergast, branch secretary of the General and Municipal Workers, threatened further stoppages last night if the demands were not met. In the Commons, Dr. Reginald Bennett, Tory MP for Fareham and the catering sub-committee's chairman, promised discussions to try to resolve the impasse.

Underlying the trouble is the peculiar system of management of such facilities at Wesminster. The job is done by MPs themselves. And they are currently engaged in a protracted dispute with the Treasury over how the enormous accumulated catering deficit, now exceeding £1m should be covered.

Owen gives assurance on nuclear weapons

BY REGINALD DALE

BRITAIN IS ready to give new assurances that it will not use nuclear weapons against countries that do not have them, Dr. David Owen, Foreign Secretary, announced yesterday.

The decision follows similar undertakings by the U.S. and the Soviet Union at the United Nations special session on disarmament in New York.

Dr. Owen's assurance, in a written Commons reply to Mr. David Ginsberg (Lab, Dewsbury), goes further than an earlier British undertaking only to use nuclear weapons in self-defence.

The Government is now specifically saying that it will never use nuclear weapons against non-nuclear states provided they do not launch an attack in alliance with a nuclear power.

The hope is that countries that do not possess nuclear weapons will be less inclined to develop or acquire them if they know they are safe from nuclear attack.

The British undertaking would apply to all non-nuclear weapon states provided they had signed the 1968 Nuclear Non-Proliferation Treaty or "other binding international commitments not to manufacture or acquire nuclear explosive devices."

France and China are still some way short of giving similar specific undertakings. China's position is simply that it will never be the first to use nuclear weapons.

Bill on appeal by patients

A MEASURE aimed at giving mental patients a better chance of appealing against compulsory admission was given an unopposed first reading in the Commons yesterday.

Mr. Geoffrey Pattie (C Chertsey and Walton), the Bill's sponsor, said that at present only 10 per cent of those compulsorily admitted to mental hospitals had the right to appeal to a tribunal.

Only 12 per cent of those with the right of appeal did so. "Such a low take-up suggests something is wrong," he said.

Under his Bill, referral to a tribunal would be mandatory within three months of admission. The tribunal procedure would also be improved.

Oil workers Bill backed

A BILL designed to give employment rights to those working in oil fields on the Continental Shelf was given an unopposed third reading in the Commons yesterday.

The Employment (Continental Shelf) Bill extends the Employment Protection, Sex Discrimination and Race Relations Acts to those working in a foreign sector or cross-boundary oil field of the Continetal Shelf.

BP plans 'will protect jobs'

MR. JOEL BARNETT, Chief Secretary to the Treasury, told the Commons last night that the Government had received assurances from British Petroleum that their investment plans for the UK would not be affected by proposed acquisitions in Germany and the Netherlands.

BP considered that their proposals should protect jobs in this country which might otherwise be at risk, Mr. Barnett said in a Commons written answer.

Forces strength to stabilise

THE NUMBER of servicemen is likely to stabilise this year, **Dr. John Gilbert,** Defence Minister of State, predicted in the Commons yesterday.

Figures he gave showed a fall 1976 to 318,779 in April this year, in the total strength of the armed forces from 334,519 in

Dr. Gilbert argued: "Numbers are only part of a capability. Equipment and training are very important elements."

Westland plant mass meeting

By Our Labour Staff

SHOP STEWARDS have called a mass meeting of workers at Westland Aircraft's Yeovil helicopter plant today to put forward their proposals on the long-running argument with the company over piece-work.

Last weekend, Westland, which has been trying to end piece-work at the factory, sent letters to all the workers threatening them with dismissal.

Wives free to campaign on Service pay–Mulley

MR. FRED MULLEY, Defence Secretary, denied in the Commons yesterday that pressure had been put on servicemen to stop their wives lobbying Parliament over pay.

Mr. Patrick Wall (C., Haltemprice) claimed: "Wives allege that pressure was put on their husbands to advise them not to attend."

Mr. Mulley replied that the Ministry of Defence had issued no such advice. "I should like to make it clear that service wives are completely free to speak in public, write to the Press or contact their MPs.

"Any anxieties about possible retaliation against their husbands are completely groundless," he added.

Mr. James Lamond (Lab., Oldham E.) and **Mr. Ron Thomas** (Lab., Bristol N.W.) suggested that the problem would not arise if the armed services were encouraged to join trade unions.

Mr. Mulley said he did not think the problems would be so easily resolved. "One of the difficulties is that I am not at all sure that the armed forces, at the moment, are anxious to join trade unions."

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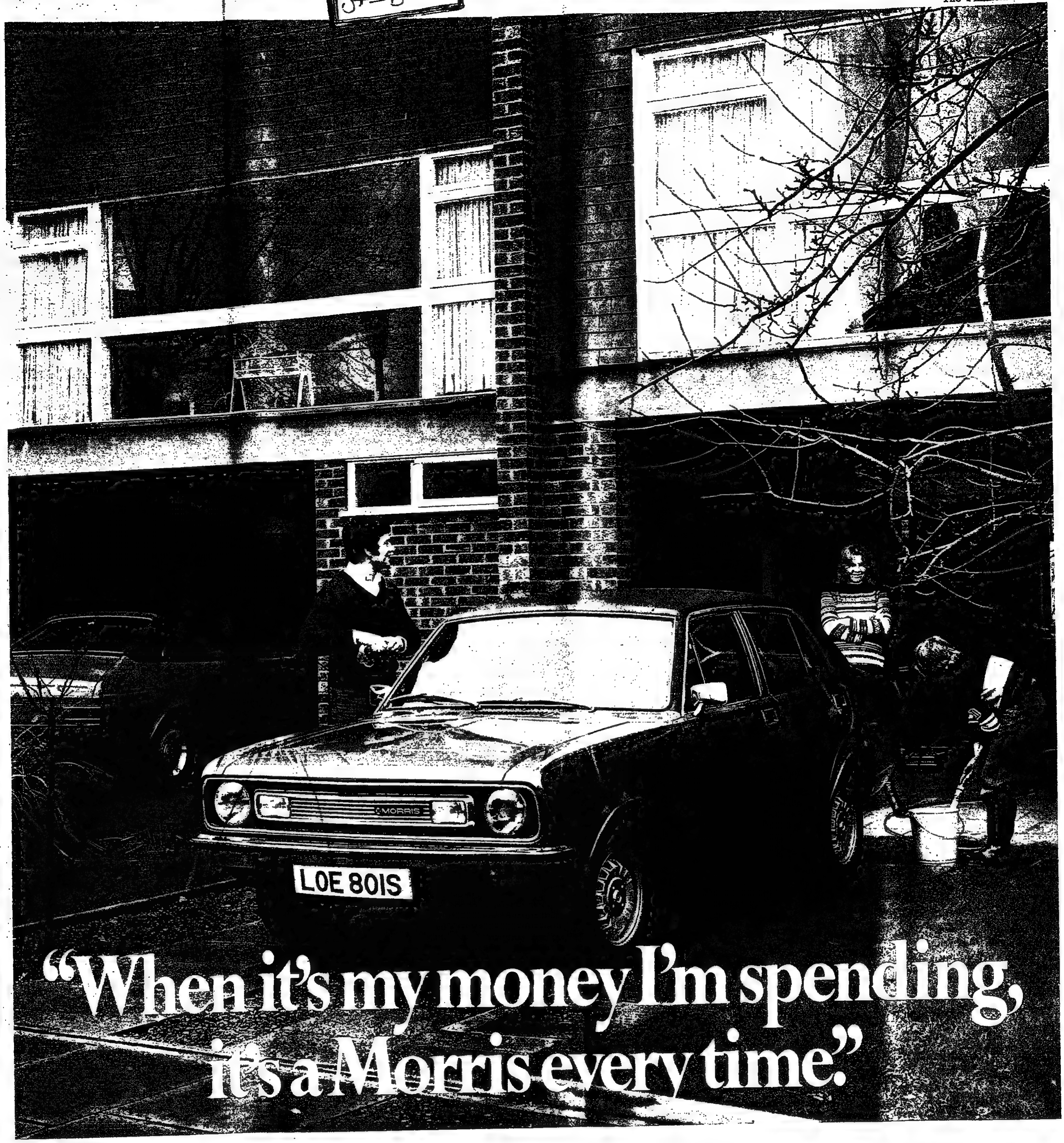


When a man buys and runs a car from his own pocket, he's the best authority on the value he's getting for his money. Hardly surprising that cars from the 13-model Morris Marina range are so popular with drivers who pay their own way.

Look what their money buys them.

Affordable style, space and comfort.

Marinas come in 2-door coupé, 4-door saloon and estate stylings. There's a good choice of price and of engine-size. But all Marinas are extremely roomy, well-appointed cars that cope equally well with a grown or growing family, a shopping trip or a summer holiday. And all Marinas have the clean, classic Morris styling.

Reliability you can't put a price on.

A Marina's dependable. No teething troubles, no over-elaborate engineering, no over-priced spares and no frantic hunts for service outlets. Leyland's Supercover is by way of a free bonus.

Morris value.

Around 50% of Britain's new-car buyers are spending their own money. They look for petrol economy, easy, inexpensive servicing and low running costs. They find all those values in the Morris name.

When it's your money you're investing, it's a Morris every time.

MORRIS CENTENNIAL

Morris Marina

With Supercover.

We haven't lost our sense of values.

Marina prices from £2537.73 including car tax, VAT and front seat belts. Delivery and number plates extra.

Technical Page

EDITED BY ARTHUR BENNETT AND TED SCHOETERS

● COMPONENTS

High rise windows made safer

A NEW safety catch could dramatically cut the number of deaths caused by falls from the windows of high-rise blocks. The new catch, which can be fitted simply and cheaply to existing window frames, is the brainchild of Ted Langston, managing director of Monk Metal Windows of Hansons Bridge Road, Erdington, Birmingham, a subsidiary of Thorn Lighting. It will be a boon to young mothers and old people, since children are particularly at risk.

The new catch allows swivel windows to be opened in the normal way to a gap of four inches, but they can only be fully opened, for cleaning, by use of a special key. Once the catch has been unlocked to allow the window to be swung fully round, the key cannot be removed from the lock. The safety catch automatically engages and locks in the safe position when the window is pushed back, and the key can then be removed.

The new safety catch was developed following an approach to Thorn by the Department of the Environment in December 1977.

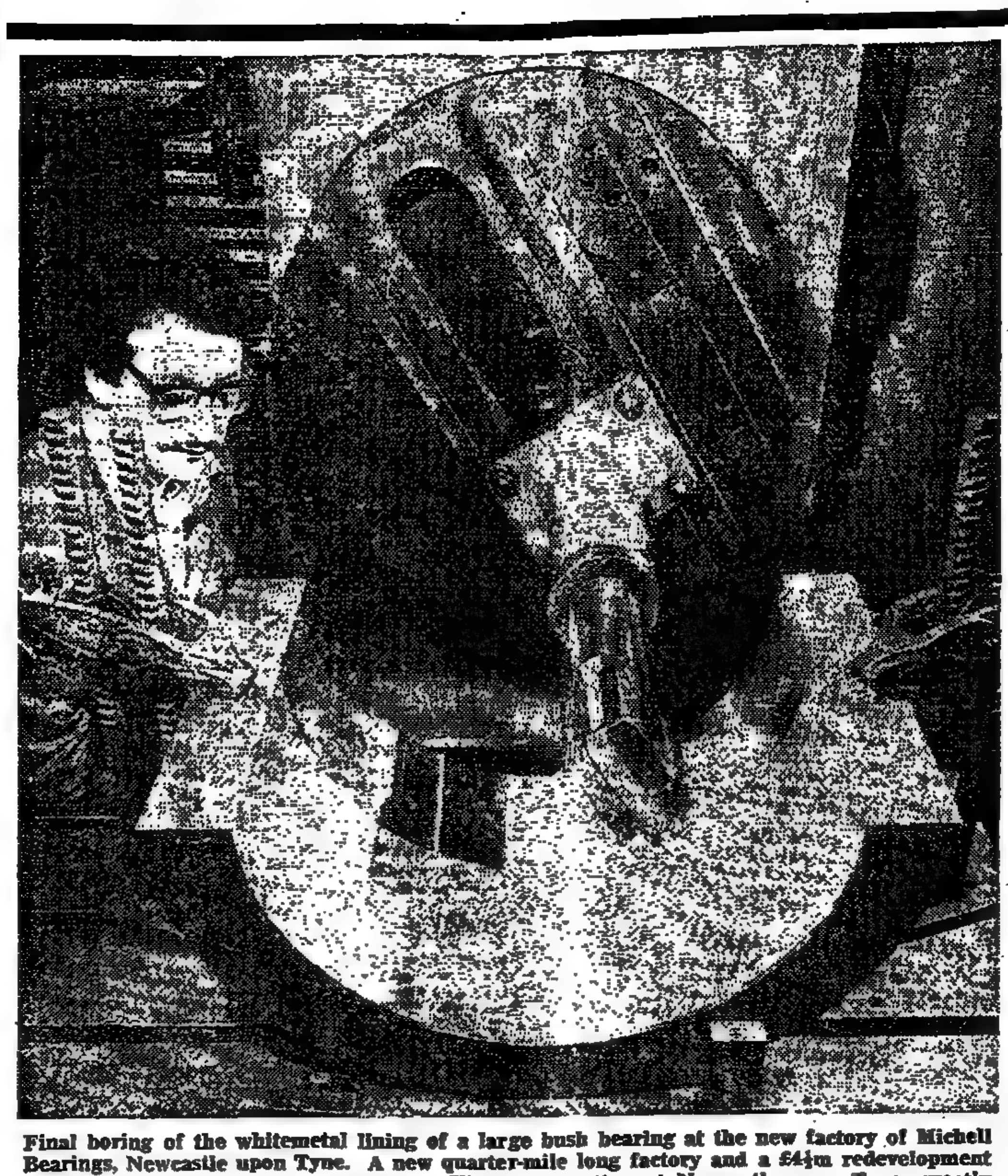
Monk Metal Window's safety catch provides local councils with a reasonably cheap and quick means of making the windows in high-rise flats safe the company asserts. Unit cost of the catches is around £3.70, although it will vary a little according to the type of surround into which the window is fitted, and fixing takes an average 20 minutes per window.

A similar catch which can be fitted to side-hung windows is under development.

Although the safety catch is primarily intended for installation by councils in high-rise flats, it will also be of value to the private householder, for use on bedroom windows for example. An additional advantage for the householder is that windows fitted with the catch can be safely left ajar while the owner is out.

Initially, priority for these catches will be given to local authorities, although they should be available for householders early in 1979.

Thorn Lighting, Thorn House, Upper St. Martin's Lane, London WC2H 9ED. 01-836 2444.



Final boring of the whitemetal lining of a large bush bearing at the new factory of Michell Bearings, Newcastle upon Tyne. A new quarter-mile long factory and a £4½m redevelopment scheme has given Michell Bearings, a Vickers operation at Newcastle upon Tyne, greatly improved capacity and production capability for its specialised products.

Keeps heat controlled

TWO FURTHER devices aimed at improving the control of heat-based processes have come on to the market, from Torvac, of Histon, and Controls and Automation, of Hitchin.

Loads up to 3 kW can be switched/controlled directly using the latter's model 6103 which is intended for use by machinery manufacturers. It is available to order in various temperature ranges from 0 to 1600 deg. C and has a plus or minus 1 per cent accuracy under steady load conditions.

For panel mounting with a DIN 48 mm bezel, the unit uses proportional control to avoid temperature "hunting." More on 0462 56391.

Torvac, the high vacuum engineering company, is offering more subtle control of the vacuum furnaces used by metallurgists with its Torvac/Eurotherm unit, intended for use with its 7801 programmer.

It gets over the problem of dealing with the difference between the process temperature and the actual control temperature.

In the rise part of the cycle the control thermocouple leads, demanding power to meet the pre-set rate of rise. When the work temperature catches up, the subsequent dwell is controlled by a thermocouple on the work. After the dwell the programmer will move to a further rise or fall condition with the control thermocouple again leading. More on 023023 2646.

● By agreement between the Financial Times and the BBC, information from The Technical Page is available for use by the Corporation's External Services as source material for its overseas broadcasts.

Controlling by air pressure

A PNEUMATIC sequence controller from Pneumethods of Cumbria has the advantage that it can be widely applied and installed by technicians who need not be too familiar with pneumatic circuit design.

The makers also claim that a typical installation will incur only about half the cost of the equivalent electrical system. Furthermore, whereas most process control sequence systems need the attention of both electrical and mechanical staff, the purely pneumatic system needs no electrical work. Such equipment is also intrinsically safe.

PSC-177 is a self-contained pneumatic block produced as a rack module for chassis or machine mounting and can have six, eight or 10 stages. Air pressures up to 120 psi can be used.

Each of the stages has input and output lines; an input to stage one gives an output to controlled device number one which feeds a signal back to the block to form the input to stage two, and so on. Delays can be introduced, also pneumatically, at the activated devices if necessary. The block measures 8 by 3 by 1½ ins.

More from PO Box 3, Cumbria, CA14 2BD (0900 5303).

● WATER SUPPLY

Reduces the bills

NEW CHARGES for the industrial use of water in the Bradford/Shipley area are running at 74.51p per thousand gallons. . . . companies like S. Jerome and Sons, fine worsted manufacturers, at Shipley, use millions of gallons a year due to their six-day production cycle.

Like them, Jerome would face a horrific water bill if it were not for the installation of its own independent water supply.

The acquisition of a licence from the Yorkshire Water Authority allows the company to extract water under a £50,000 system installed by Farrods (UK) which means it will pay for its water at only 2p per thousand gallons. This suggests a cut in the company's water bill from £40,000 a year to £1,000.

The system comprises a borehole, borehole pump, storage tank, filtration and water softening equipment, together with a plant for recycling cooling water.

Sunk to a depth of 50 metres, the 250 mm bore is capable of supplying 19,350 gallons an hour. The water is brought to the surface by a 25 hp Jacuzzi pump supplied by Jacuzzi-Farrods (UK).

Once on the surface, the water passes through filtering and softening plants before being stored in a tank with a capacity of 95,000 gallons. Automatic sensors in the tank are linked with the bore pump to ensure that the water level never falls below a certain point. The whole system is automatically regulated and requires the minimum of maintenance.

Further from Farrods (UK), Dellamires Lane, Ripon, North Yorkshire. 0765 4455.

● INSTRUMENTS

Gauges tiny currents

TO MAKE USE of the abilities of modern semiconductor circuits other components involved need to have commensurate performance and the insulation leakage of capacitors, printed boards, switches, and connectors has to be kept down.

To check such minute currents, Keithley Instruments has introduced the model 480 picoammeter which has seven ranges between 1 nanoamp and 1 milliamp. Readings are presented on 0.6 inch high LED characters in a "1999" format. Accuracy is never worse than plus or minus 0.8 per cent of the reading plus four digits.

A difficulty with any ammeter is the fact that it has resistance and introduces a voltage drop in the circuit under test, disturbing its performance. In the model 480, feedback is used to force the drop to the very low level of 200 microvolts.

Able to stand a transient voltage overload of 1,000 volts for three seconds, the meter has a display settling time of about one second, over-range indication and a normal mode rejection ratio of 50 to 70 dB. Measuring 275 by 235 by 85 mm, the unit weighs 1.7 kg.

More from the company at 1, Boulton Road, Reading RG2 0N1 (0734 861287).

Close check on fuel use

THOSE needing to make accurate measurements of the specific fuel consumption of diesel or petrol engines will be interested in the FM3A system developed by Hird-Brown Instrumentation of Bolton.

Fundamental measuring component is a vertical fuel measuring tube with precision bore which is equipped at its base with a pressure transducer. The weight of the fuel in the tube is then proportional to the pressure, assuming that the bore is unaffected by temperature change.

The system first of all fills the tube at the same time feeding the running engine. On initiation of the test run, fuel is fed only from the cylinder; a pressure reading is automatically taken by the electronics unit and timing (pre-set) is started. Another pressure reading at the end of the elapsed time gives the fuel used.

The control unit also takes in rpm data from a toothed wheel counter on the engine and displays it together with total revolutions performed, time, fuel used and fuel consumption rate.

More from the company at Lever Street, Bolton BL3 6BJ Lancs (0204 27311).

● MATERIALS

Speeds up the firing

THOUGHPUT of a traditional brick kiln for firing unglazed pottery has been nearly trebled in a new design by DIS Refractories that employs Triton Kaowool from Morganite Ceramic Fibres, a material with low thermal mass and exceptional tolerance to thermal shock.

Use of this material is mainly responsible for reduction of the previous 23-hour processing cycle (13 for firing and 10 for cooling) to nine hours (7½ and 1½ hours respectively).

In addition, however, the kiln has seals which swing up to prevent heat loss round the sides of the kiln cars after loading. Under the seals the kiln is open to the atmosphere to allow entry of large volumes of air when the former are opened up. The seals, together with two big hinged dampers in the roof, are controlled electronically by a programmer which also decides the gas/air ratio settings of the four burners.

This particular kiln was designed for J. E. Heath, of Burslem, and takes two cars each holding 3,000 cups. Reaching 1,200 degrees C in six hours, it shows gas savings of 45 per cent compared with its predecessor.

More on 051 334 4030.

Instant use laminates

FOR EASY use in kitchens, shopfitting, as buffet counters ore vanity tops is a pre-finished worktop with a choice of laminate surfaces, from Norsk Hydro (UK), Concord House, The Centre, High Street, Feltham, Middlesex TW13 4BG.

Made from 30 mm chipboard, in a standard size 3 metres by 60 cm, the surfaces are covered in Respatex laminate and the long sides are edged in teak. The edging is available in two different profiles—one sloped and the other grooved—but special edging can be supplied, says the company, to a minimum order. The customer also has a choice of any laminate colour, pattern or surface finish.

● CONFERENCES

Intensive micro day

INTEL is planning one-day seminars on very high performance microcomputers next month, in Glasgow, Manchester and London. Venues will be the Albany Hotel, Piccadilly Hotel and the Cavendish Conference Centre respectively and the dates are July 10, 12 and 14.

Most of the time will be spent on the new 8086 16-bit device and the company stresses that the seminars will be intensive—they are aimed at engineers and the technical content will be high.

Documentation will include complete design information for the 8086 including instruction set and interface details.

Tickets at £13.59 from Intel Corporation (UK), 4, Between Towns Road, Oxford OX4 3NB.

Focus on Telecoms

A TWO day conference "to review and assess" Post Office Telecommunications, is being organised by ISL Information Studies—with the full co-operation of Post Office Telecommunications—and is to be held at the Cumberland Hotel on September 25 and 26.

The organisers hope to strike the right balance so that the conference will be neither a sales pitch for the Post Office nor a session aimed at "knocking" it.

An unusual feature is that those registering for the conference are to be asked beforehand for their views about the content. Responses will be used to "tune" the programme.

Speaker line-up so far includes the director of marketing at the P.O., Freddie Phillips, communications chiefs from Ford, Unilever and Massey Ferguson, and a number of consultants.

The conference fee is £225 ex VAT and registration forms with further details can be obtained from the organisers at Regal House, Lower Road, Chorleywood, Rickmansworth, Herts. (Chorleywood 4244).

● COMPUTING

Tape maker has many functions

IN ADDITION to performing all routine punching, reading, converting and editing of numerical control data, a new Ultronic tape machine incorporates the UDS-Ricoh RP40 "double daisy wheel" high speed printer.

A CCITT V24 interface is available which can provide data transmission and time sharing facilities as well as connection to additional equipment.

The UDS 7000NC series is built in the UK, and UDS owns the world-wide marketing rights. It is designed for the preparation of tape but also provides a highly flexible system for general data preparation, repetitive typing systems and data handling.

An electronic keyboard with line buffer allows for error correction before punching, and the infra-red optical tape reader and heavy duty but quiet punch are capable of handling all NC tapes.

Ultronic Data Systems, UDS House, 3, Jefferson Way, Thame, Oxon OX9 3SU. Thame (084421) 3151.

Accounting on a small machine

FACT—an international financial accounting and management information package system by CMG—is now available to run on the ICL 2903 series following its conversion by CMG Computer Management Group (Southern), for Strategic Vending Services.

SVS specialises in operating, supplying and maintaining vending machines in the U.K., through seven service centres. Although each centre functions as a separate company, all accounting is centralised through the London head office. But its mixture of manual and computer systems based on the ICL 2903 was becoming cumbersome and the company needed a means of integrating the overall arrangements which would provide more sophisticated financial and management control information as it continued to grow.

Fact is made up of four modules—sales ledger, purchase ledger, nominal ledger, and management information. They are fully integrated so that transactions need only be entered once from source documents. The system is then able to process data through to trial balance and final accounts.

Further on Fact from CMG on 01-686 8251.

CONTRACTS & TENDERS

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

INVITATION TO TENDER

Tenders are invited for the urgent supply and delivery c.i.f. from any EEC port of 1,000 tonnes of bagged sorghum destined as United Kingdom national food aid to the Government of Gambia. Each new or good quality second-hand jute bag shall contain no more than 50 kgs of sorghum and be marked in characters of no less than five centimetres in height: "Food Aid Gift of the United Kingdom." The sorghum is to be loaded in one vessel and delivered without delay to the port of Banjul.

The allowance for the supply and transportation costs of the grain will be determined on examination of the tenders. Delivery terms embodied in a Notice of Invitation to Tender together with Tendering Forms may be obtained from Branch B (Cereals), Internal Market Division, Intervention Board for Agricultural Produce, 2 West Mall, Reading. (Tel: Reading 583626.) Tenders must be submitted by 12 noon, Wednesday, 5th July, 1978, to:

HOME GROWN CEREALS AUTHORITY
Hamlyn House, Highgate Hill
London N19 5PR

INTERVENTION BOARD FOR AGRICULTURAL PRODUCE

INVITATION TO TENDER

Tenders are invited for the urgent supply and delivery f.o.b. to any EEC port capable of loading the required quantity of 10,000 tonnes of soft wheat into one vessel. The soft wheat shall be delivered in bulk together with 200,000 empty spare sacks marked "Food Aid Gift of the United Kingdom" with sufficient needles and thread for bagging at the ultimate destination. Loading shall commence as soon as possible but no earlier than 23 days after submission of the tender and the tenderer shall select a loading period of at least 15 days' duration.

The allowance for the supply and transporation costs of the grain will be determined on examination of the tenders. Delivery terms embodied in a Notice of Invitation to Tender together with Tendering Forms may be obtained from Branch B (Cereals), Internal Market Division, Intervention Board for Agricultural Produce, 2 West Mall, Reading. (Tel: Reading 583626.) Tenders must be submitted by 12 noon, Wednesday, 5th July, 1978, to:

HOME GROWN CEREAL AUTHORITY
Hamlyn House, Highgate Hill
London N19 5PR

DRAWING

At drawings made in June 1978, in the presence of a Notary Public in Stockholm, Deposit Certificates in respect of Bonds of

THE GERMAN REICH 4% (FORMERLY 6%) EXTERNAL LOAN OF 1930 (the "Match Loan")

totalling US$615,100 were drawn for redemption as at the 17th July 1978.

Lists of certificates drawn can be obtained at Lazard Brothers & Co., Limited, 21, Moorfields, London, EC2P 2HT.

The certificates are payable on the condition given in the certificates as from the 17th July 1978 at any of the offices of Skandinaviska Enskilda Banken and Gotabanken as well as at the offices of the other Paying Agents.

No interest will be paid as from 15th July 1978 on certificates drawn.

Certificates presented for redemption shall be accompanied by all the interest coupons which are not yet due for payment as well as by the talon. Otherwise, an amount equivalent to the missing coupons will be withheld.

The holder of a certificate which has been drawn will receive on its redemption a voucher in respect of the right attaching to the certificate to receive "Funding Bonds" when issued.

Any of the drawn certificates held on behalf of residents in the United Kingdom should be lodged between the hours of 11 a.m. and 2 p.m. (Saturdays excepted) for payment through an Authorised Depositary in London with Lazard Brothers & Co., Limited, 21, Moorfields, London EC2P 2HT, from whom listing forms may be obtained, Certificates cannot be accepted through the post.

COMPANY NOTICES

PORTUGUESE GOVERNMENT 3% EXTERNAL DEBT 1902

In accordance with the Law of the 14th May 1902 and the Decree of the 9th August of the same year the Sinking Fund instalments due 1st July 1978 have been effected by the Junta do Credito Publico in Lisbon as follows:—

1st Series Bonds

Purchases in the market consisted of 2 bonds of £20.00 each and 7 bonds of £100.00 each, totalling £740.00.

The Balance of the instalment was made up by drawing in Lisbon of 1,500 bonds of £20.00 each and 120 bonds of £100.00 each, totalling £42,000.00.

2nd Series Bonds

The entire instalment has been met by purchases in the market of 244 bonds of £19 18s 0d each totalling £4,855 12s 0d (Decimal equivalent £4,855.60).

3rd Series Bonds

The entire instalment has been met by the drawing in Lisbon of 2,206 interest bearing bonds of £19 18s 0d each and 152 interest bearing bonds of £99 10s 0d totalling £70,943 10s 0d (Decimal equivalent £70,943.50), together with an equal number of non-interest bearing bonds of £6 12s 8d and £33 3s 4d respectively, of identical numbers, totalling £23,647 16s 8d. (Decimal equivalent £23,647.83).

The aforementioned drawn bonds are repayable at par from 1st July 1978 to 30th June 1983 and those stamped by the Portuguese Financial Delegate for payment in sterling may be presented for repayment at the Securities Department Counter of BARING BROTHERS & CO. Limited, 88 Leadenhall Street, London EC3A 3DT where lists of the numbers of the bonds and lodgement listing forms may be obtained.

INTERNATIONAL DEPOSITARY RECEIPTS (IDR)

Issued by Morgan Guaranty Trust Cy of New York representing Ordinary Convertible Class C shares of BRASCAN LIMITED

A distribution of US $0.75 per depositary share less any applicable taxes and fee will be payable on and after July 31, 1978 upon presentation of coupon no. 8 at any of the following offices of Morgan Guaranty Trust Cy of New York

—New York (USA) ADR Section, 15, Broad Street
—Brussels, 35 avenue des Arts
—Antwerp, 82, Frankrijklei
—London, 33, Lombard Street
—Paris, 14, Place Vendôme
—Frankfurt, Bockenheimer [illegible]
—Zurich, Stockerstrasse 38
and at Banque Générale du Luxembourg, 14, rue Aldringer, Luxembourg.

NOTICE TO THE HOLDERS OF EUROPEAN DEPOSITARY RECEIPTS (EDR's) IN KOMATSU LTD., TOKYO

We are pleased to confirm that copies of the Annual-Report as of December 31, 1977 and 1976 of Komatsu Ltd., Tokyo and Consolidated Subsidiaries, are now available to EDR Holders upon application to the following conversion agents:
Citibank Branches in Amsterdam, Frankfurt, Paris and Milan, and at:
Citibank (Belgium) S.A.—Brussels
Citibank (Luxembourg) S.A.—Luxembourg
Kredietbank S.A. Luxembourgeoise—Luxembourg.
Citibank N.A.
336 Strand
London WC2R 1HB
Depositary June 1978

CITY OF LIMA
(The Honourable Provincial Council of Lima)

5% FIRST MORTGAGE BONDS 1911
Lloyds Bank International, 40-66 Queen Victoria Street, London, EC4P 4EL announce that coupons due 1st July, 1978 of the City of Lima (The Honourable Provincial Council of Lima) 5% First Mortgage Bonds 1911, may be lodged for payment but must be left an appropriate period for examination. Coupons will not be accepted through the post.

LEGAL NOTICE

THE HIGH COURT

BANKRUPTCY

JOHN WHELAN formerly of Kildonan Stud, Coolcarrigan, Naas, County Kildare and Pinewood Lawn, Kilcock, County Kildare, Gentleman was on the 20th day of February 1978 adjudged Bankrupt.

Creditors should send their claims, and all persons having in their possession any property of the Bankrupt should deliver it, and all debts due to the Bankrupt should be paid to Sean S. O'Donnchadha, Official Assignee, Four Courts, Dublin 7, Ireland.

A Summons was issued for the attendance of the Bankrupt at the Statutory Public Sittings but not served, he having absconded. This Notice requires you John Whelan to attend at the adjourned Sitting for your examination at the High Court, Dublin at 10.30 am on Friday the 7th day of July 1978 and herein to fail not at your peril.

DAVID MUNRO,
Designated Officer.
EUGENE F. COLLINS & SON,
Solicitors,
61 Fitzwilliam Square,
Dublin 2.

CLUBS

PUBLIC NOTICES

NOTICE IS HEREBY GIVEN that Ebrahim Yusoof Sava of 15 Stratton Road, Gloucester is applying to the Home Secretary for naturalisation and that any person who knows any reason why naturalisation should not be granted should send a written and signed statement of the facts to the Under Secretary of State, Home Office (Nationality Division), Lunar House, Wellesley Road, Croydon CR9 2BY.

هكذا من الأصل

The Management Page

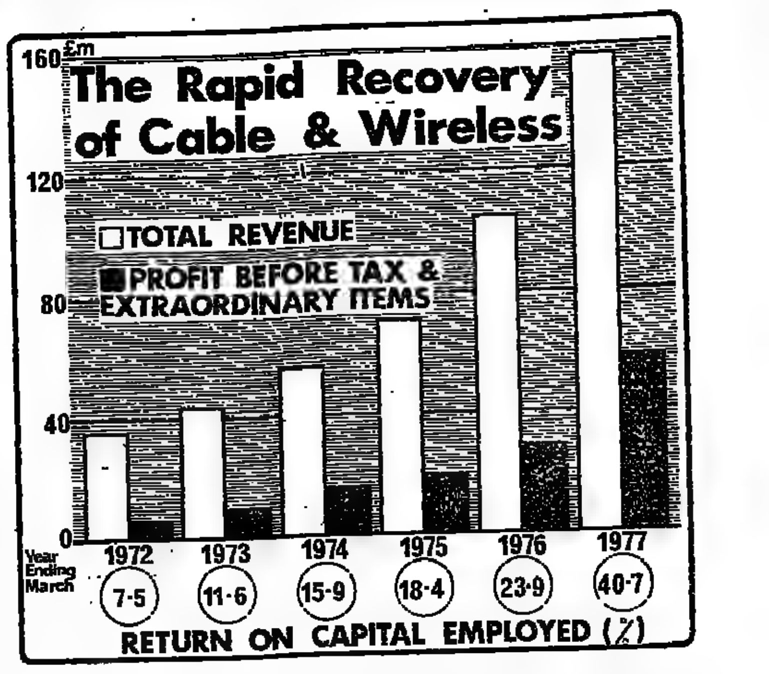
EDITED BY CHRISTOPHER LORENZ

The State-owned company that behaves like an American multinational

John Lloyd reports on Cable and Wireless, which has won a contract to supply the Saudis with a military communications system worth nearly £400m

Ashley Ashwood

Key men at Cable and Wireless—Mr. Richard Cannon (left), Mr. Peter McCunn (centre) and Mr. John Bird.



CABLE AND WIRELESS might have gone down with the Empire. Instead, it survives and thrives in a post-imperial age, doing multi-million-pound deals with the Saudis for all the world as if it were an American multinational.

That it has done so is the more remarkable for two quite modern reasons. First, it is a state-owned company operating in the international telecommunications market, where competition is intense and where the presumed strengths of capitalist concerns — flexibility, speed of decision and dynamism — are thought to be the indispensable requirements of operating at all.

Secondly, it is more famed—in the UK, at least — for the relatively low salaries its top management are paid than for the services it offers. This is, of course, in flagrant breach of the iron law which dictates that the higher the salary, the higher the incentive.

Interregnum

Its origins were more orthodox. Cable and Wireless is the end product of the activities of a wealthy textile manufacturer named Sir John Pender, who began laying submarine telegraph cables in the late 1860s. His imagination was fired by the technology, new at the time, while his commercial sense was attracted by the profits to be made from linking the various parts of the empire.

He therefore laid cables and formed companies—generically known as the Eastern and Associated Telegraph companies—throughout the closing decades of the century. He died in 1896. After a 20 year interregnum, his grandson, Sir John Dennisen Pender, continued the work as chairman of the companies, to be succeeded, in 1932, by his son, Lord Pender, who oversaw the companies' consolidation into Cable and Wireless.

Cables were the Penders' business. But a new technology—the wireless—grew up in the 1890s, and that was Marconi's business. After two decades of hard pounding between the two in the early 1990s, the Imperial Wireless and Cable Conference of 1928 pronounced that competition must cease and that the Marconi Company and the Pender group must merge. Cable and Wireless was the eventual result.

The company emerged from the last war as an imperial relic. The Commonwealth Telecommunications Conference of 1945 allocated to the Dominions and India the Cable and Wireless assets in their territories. The rest of the company was nationalised—from January 1, 1947—with the more or less explicit assumption that the state would supervise its gradual and polite demise.

It refused to die however and entered instead what might be termed a neo-colonial phase. While the countries in which it operated—in Africa, the Middle East, the Far East, the West Indies and South America—had control of their internal telecommunications, many were quite happy to continue to contract out their country-to-country communications to Cable and Wireless. Contracts which the company had virtually written off—typically signed over 20 years—were renewed. Some countries—Bahrain and the United Arab Emirates were examples—even asked C and W to run their internal systems.

But the fears remained, and were, in the early sixties, to some extent justified. The company lost a number of interests in West Africa, and South East Asia, with a consequent sharp dip in profits over the first part of the decade, exacerbated in 1964 by the loss of the Singapore branch.

Though a higher level of traffic on the international lines in the late sixties improved the profit figures, the company was sufficiently wary of the years ahead to set up a "future of the company" committee with the specific brief to find ways to diversify. The first forays into radically new markets, however, were unhappy and, in the case of the Coltronics episode, embarrassingly over-publicised.

Coltronics was a small electronics company based in Hong Kong, bought by C and W early in 1972 for the knock-down price of $10,000. The idea was that Coltronics would manufacture some of the components required by the group, and that it would also manufacture on its own account. By the end of the year, it had secured a very large order—for 960,000 pocket and desk calculators.

It could not deliver: management problems coupled with Coltronics' historic debt—the reason for its low price—meant that Coltronics had to deliver half the calculators at a loss, and pay compensation on the non-delivery of the rest.

C and W tried hard to minimise the embarrassment, by splitting up the loss and declaring only £422,320 as a loss in the 1973/4 accounts. In fact, it lost more than £2.5m on the whole venture and it had to promise the Department of Industry to keep it more fully informed of its affairs in the future.

The affair was serious enough at the time, but was played down in a sympathetic report by the Commons Select Committee on Nationalised Industries in July, 1976, which noted that "there is no doubt that the Coltronics venture turned out to be an unfortunate and unsuccessful excursion into the non-concessional business field . . . (but) viewed against the achievements of the company, its status and reputation, Coltronics was relatively unimportant."

Possibly more damaging to the morale of Cable and Wireless was the low level of salaries it could pay its top management—a state of affairs which remains a major gripe, and the single issue which has stayed in the headlines over the past few years. The executive directors' salaries were frozen in 1972, in common with Board members of other nationalised industries (though at a generally much lower level). By 1976, when the then managing director, Archie Willett, was getting £12,828 and his four executive directors £10,000 each, they revolted, and refused re-election. The Government would not concede a rise, and they backed down.

The discontent remains. The Boyle Report of 1974 recommended increases in "top people's" salaries which were implemented in the case of senior military officers, judges and top civil servants, but not in the case of nationalised industries' Board members. Since 1972, their pay has gone up by 8 per cent. Compared with their international competitors, Cable and Wireless people are on the poverty line. Peter McCunn, the present managing director, and Lord Glenamara (the former Edward Short) are pushing hard for a release from their bondage, without success so far.

Yet the supposed correlation between reward and performance does not seem to operate in their cases. For in the past two years, they have proceeded with a diversification of the company which is aimed at offsetting the effects of the presumed decline in the concessionary business. The early indications are that this initiative is proving a success.

The key man in the new strategy is Mr. John Bird, hired from Ultra Electronics in May, 1975 (where he was deputy managing director), by Willett, who retired two years later. Bird is now managing director of the company's communications systems division: his task, as he puts it, is to "see if we can build a bit more added value into Cable and Wireless' operations."

Bird, strongly backed by McCunn and by Dick Cannon, head of the concessionary business, is offering the reservoir of C and W's expertise in telecommunications in the booming world markets. Cable and Wireless now wants itself to be seen as a project management group, capable of specifying, managing, and completing major telecommunications projects for states, as well as installing more modest systems in airports and hotels.

In retrospect, Bird believes that the underlying misconception running through the company when it first tried to diversify was to believe that it was starting from scratch in an entirely new business.

"Cable and Wireless was sitting on top of a gold mine—and that was its own people, all over the world (it has 10,000 overseas staff, only 2,000 in the UK). They are the basis for the new business. No other systems house can compete with our experience and our knowledge and our reputation. In so many parts of the world, we are there already."

The first major part the company played in its new role was indeed in an area of traditional strength — the Middle East. As far back as 1975, Plessey had persuaded Cable and Wireless, and BICC, the cable makers, to form a consortium to bid for the massive extension to the Saudi telephone system. The three companies reluctantly concluded they were too small and, more crucially, Plessey did not have a fully electronic exchange to offer. So in 1976 Plessey coralled Western Electric, the world's biggest telecommunications contractor and a subsidiary of A T and T, which was then looking for a world role after mopping up most of the U.S. business.

The Anglo-American consortium very nearly got the contract, which was worth anything up to £3bn. In an immensely exciting three-horse race, which included ITT and a consortium made up of Philips, Ericsson and Bell Canada, the last group only just pipped the Anglo-Americans mainly—it seems—on price. Naturally, Cable and Wireless would have preferred to win; but there was still the substantial compensation of having been seen to be teamed—as a project management operation — with the largest manufacturer around.

During and since the byzantine negotiations for that contract, Bird was building up his organisation, largely by carving it out of the present structure of C and W—though he brought in some salesmen who are also engineers to get the message round the world. The company's regional directors — for North America, the Far East, Hong Kong, the Middle East and Western Europe — now report both to Dick Cannon, the head of the concessionary business, and to Bird. The regional men have to sell C and W systems, as well as manage its networks.

Consultancy

Besides the regional divisions (which already existed), Bird has created specialised groups which will work up the main communications growth areas—airport and aircraft communications, security and hotel systems, military communications, as well as ordinary telephone systems. There are also groups which examine and test new products, and which develop those components which need in-house designing.

Bird has entered an area of business where the opposition is exceptionally tough and the stakes are high (so, usually, are the salaries). Apart from Bell Canada (project manager for Philips and Ericsson's Saudi contract), the French and Germans have greatly increased their effort in the consultancy/project management side of telecommunications in recent years. The Japanese—especially Nippon Electric (NEC) — are winning contracts in the Middle and Far East: with the advent of Western Electric on to the world stage, the U.S. provides a massive area of competition, usually heavily backed by U.S. Government and diplomatic pressure.

Closer to home, C and W is increasingly finding itself up against the UK company International Aeradio (IAL) which, ironically, is also state owned; British Airways is its majority shareholder. IAL has been marketing communications systems, especially to airports but also to military and other civil clients, for some years: it, too, is undergoing a period of expansion.

Unsurprisingly, there have been suggestions that the two should somehow get together. The forum in which these suggestions were made has been the series of discussions on the formation of Britel, a proposed UK telecommunications consultancy, formed from the expertise of C and W and IAL. The discussions continue, aimed at an announcement next month, but it seems that neither of the companies will tolerate Britel—or such a company by any other name—being any more than a means of selling consultancy services, and they have strongly resisted proposals by the Post Office and the National Economic Development Office, also parties to the talks, that they should pool their project management efforts. C and W and IAL want to compete.

How long the Government—their owners, after all—will allow this state of affairs to continue is speculation. The answer may be—for as long as both are successful. In that context, the great success scored in April by C and W in winning the contract to supply the Saudi National Guard with a military communications system—probably worth up to £400m by completion—is a powerful argument for being left alone.

BUSINESS PROBLEMS BY OUR LEGAL STAFF

Sound advice on recording

Some considerable time ago you expressed the opinion that the chairman of a company meeting could prevent a shareholder from taking a verbatim report on a tape recorder, even though there appears to be nothing to stop him taking a verbatim note of such a meeting, supposing he could. Is this still your view?

We are inclined to modify what we then wrote. The difference between attendance by an unauthorised person (stenographer) and the ability of a member who knows shorthand to make a full record of the transaction (equivalent to a tape recorder) is very likey to sway a Court in favour of the latter being permitted. However, until the matter is decided we would still sound a note of caution.

Title to land

Following items that have appeared in your columns from time to time concerning the establishment of title to land after 12 years' occupation, can you please say whether any action is required, or recommended, in order to formalise the user's position (e.g., notification to the Land Registry office)?

No action is required, but it is desirable to record the position while evidence is conveniently available. If the land is in an area of compulsory registration, it is wise to apply to register the land with possessory title. Such title can be converted to absolute title after 15 years. In non-compulsory areas it is desirable to record by statutory declarations the acts of adverse possession relied on.

Mastering the short let

I own a house which I propose to let furnished for short periods. (a) Would I have to have a rent valuation for six-monthly lets? (b) Is there any ceiling to the rent for holiday lets? (c) Would I need an itemised list of contents for the tenants? (d) Would my existing insurance of the house be adequate, when it is let? (e) When assessing the rent to charge is something allowed for the cost of keeping in repair? (f) Is it better to let the tenant pay for electricity, as the Electricity board suggests?

(a) You do not have to have a fair rent determined, unless your tenants require it. The tenant can make a reference to the Rent Officer but neither of you is bound to do so. (b) You can make genuine holiday lettings and remain outside the Rent Act. (c) Yes, a full inventory is desirable—but there is no requirement in law. (d) You should consult your insurance broker as to whether your existing cover is adequate. (e) The demand of the market is the usual guide to rents, not cost. (f) It is wiser to let the tenant contract direct with the Electricity Board.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

LOMBARD

EEC myths and realities

BY COLIN JONES

THE IDEA that Community membership has been a hindrance rather than a help to Britain is not made any easier to dispel each time the European Commission is found objecting to another of the UK Government's industrial subsidies. Yet the Commission is not animated by an out-dated regard for laissez faire, as is often supposed. It freely acknowledges that subsidies are a necessary instrument of national policy, and it lets through far more schemes than it tries to stop. What it is keen to see established is a basic framework of rules so as to ensure fair play between member countries.

Unforeseen

The latest UK subsidy to run foul of Community rules — the offshore supplies interest relief grant — is a good instance of where myth could quickly depart from reality. For the scheme not only touches upon a particularly sensitive area of national policy — the North Sea — but it was introduced by the pro-European Heath administration as far back as 1973 and is now being defended by that noted anti-marketeer, Mr. Anthony Wedgwood Benn, the Energy Minister. Yet, when examined, the Commission's objections do not seem at all unfounded; and the Government's desire to argue the issue out has already had unforeseen consequences.

The grant was one of the ways in which British firms were to be helped to garner a bigger slice of the North Sea supplies market. *They were not eligible for* fixed rate export credits and other ECGD facilities, whereas their foreign competitors—at that time mainly American, Norwegian and other non-EEC companies—could get loan finance at preferential rates from their national export credit institutions. The Government therefore brought in the equivalent of a fixed rate buyer's credit for the developers of North Sea oil and gas fields—an interest relief grant of 3 per cent a year for up to eight years on loans raised to finance up to 80 per cent of the value of contracts placed with UK firms for goods and services used in the construction of fixed installations in the UK sector.

In the early days when the UK market was still relatively small, the scheme could be regarded as acceptable either as an aid to the suppliers ("an *infant* industry") or as an aid to the purchasers ("developing indigenous energy resources"). But as the market—and the UK share of it—grew so the complaints of unfair discrimination flowed in from French, Dutch, German and other EEC firms and by the end of 1975 the Commission felt it had to take action. We have offered some minor modifications but we have insisted throughout that the *substance of the scheme should* be retained, on the grounds first that other member states' market shares have not fallen so distortions of competition cannot be said to have increased and, secondly, that the scheme is needed to match subsidised competition not only from non-EEC firms but also from those within the Community.

This last point surprised the Commission for aids to exports to other member states had long been held unacceptable, a decision upheld by the European Court in 1969. So in September, 1976 it asked each government to confirm that preferential export credit terms were not available either directly or indirectly for intra-Community trade and included a specific reference to products used on the continental shelf. All but two of the nine governments said that cheap credit facilities were not available for EEC trade. One exception was France which, after pressure from Brussels, decided to conform last June. The other was . . . Britain, which fell into line in April this year when the coverage of the concessionary finance available through ECGD was changed so as to exclude sales to the EEC.

Not surprisingly, the Commission has now decided to force the issue on the offshore supplies *grant. After five years, it has* become tantamount to a production aid. In any case Britain may have little to lose from dropping the scheme or removing its discriminatory nature since most of the development work on known North Sea commercial fields is now in hand. There could possibly be a case for a more selective scheme which matches non-EEC competition on a case-by-case basis, on lines similar to the concession the Commission made when ECGD facilities for EEC trade were changed in April. But it would *still need to be explained why* the offshore supplies industry should be the only sector facing import competition in the UK market which is so favoured.

Extent

There is, moreover, the question of cost. Some £128m has now been committed under the scheme (of which barely a sixth has yet been paid). As the Commission says, subsidies may sometimes be necessary to help a new industry get on to its feet but they should be available only *when, to the extent, and so long* as they are needed. The UK share of the British offshore supplies market is now just over half, which is not far short of the most that could be expected. Ignoring the Community aspect for the moment, we should ask ourselves whether the offshore supplies interest relief grant is now the most cost-effective way of helping the industry. Indeed, is it still necessary?

Plants that will not let you forget them

GARDENS TO-DAY — BY ROBIN LANE-FOX

THE BEST thing I have seen this year so far has been a white *Wistaria*. It was no half-white, short-flowered and so veiled in leaves so that you could hardly even smell it. I think it must have been a white *Macrobotrys*, the long-bunched form. It is never easy to be sure where the shorter-flowered Chinese *wistarias* stop and the grand long ones begin, because the latter sometimes show up poorly and the Chinese ones, at times, excel themselves in themselves in specially strong forms. But this one's flowers were huge, showing their yellow centres clearly. Each flower in the bunch was as fat as a Chinese lantern's. The bunch was as long as a bunch of grapes and its scent slightly sweeter than a tangerine's, *richer, even*, than the mock "Orange Blossoms" which are just beginning to open.

Conveniently, the white *Wistaria* was flowering at the level of a lowish window. If you want to enjoy it, look for it next May as the one notable *plant on the National* Trust's Claydon House, near Aylesbury. It stands on the side which faces the family church before the house *falls away into grim* and late extensions. Covered to the ground in flower, it provokes thought.

Some plants, not many, have a way of needing attention just when you want to forget them. The Sweet William needs to be sown again, now, just as *it is* going out of flower; the *Forsythias*, which I am sure you have now put out of your head, ought already to be have been pruned to encourage the new growth which will flower next spring. So, too, the beginning of July is the moment at which to attend to the *Wistaria*. It must be pruned very hard, harder than you might think advisable. You can hit it again in January and improve it. There is no particular art: I will explain why.

Wistarias, ideally, should be kept like those neatly-spurred fruit-trees which you can imagine on the old silver-pink brick walls of a grand kitchen-garden. They resist, however, any such confinement. As soon as they have settled in, they will fling out soft tentacles in all directions, many from the base.

Unwary gardeners will welcome them, tie them in to the wall and tell their confidants that *wistarias* are growing well and only the F.T. makes a fuss about them. In fact, these young tentacles are useless. Cut them back hard and reduce them to a *few*. After three years or so, they will have thickened into branches. Then, at last, they are fit to flower.

You *should* continue to cut back any long streamers which spill out from the plant after flowering. It is most important to harden your heart and treat young *Wistarias* with the same harshness as soon as they are underway. In the first year, you may have to wait. Your pot-grown *Wistaria* may be slow to break into leaf. Delay until late autumn before you suspect that it may be dead: meanwhile, spray it as often as you can with warm water in the evenings through a syringe.

This is a useful trick, as first-year *Wistarias* are often obstinate about showing any leaves if kept too dry. When your plant does begin to grow, try to prevent its young stems from twisting round each other. Again, this is important as the shoots are to become the base of a mature plant and will throttle one another if allowed to embrace. The sap, then, will be cut off and the buds higher up are *likely to drop before opening*. The first summer, then, is a vital season if you want to grow *Wistaria* properly.

In the second year, you can be ruthless, as suggested. In the next week or so, shorten all new growth back to the base of the main stems. Remember, that you are wanting a sparse outline, as on a spurred fruit tree: far the best old *Wistarias* are those through which you can still see the wall on which they are trained. If necessary, prune again in September and tidy up in January. Tose long whipping shoots from low down on your plant are a waste of its energy.

That said, I admit to being a bad *Wistaria-man in most years*. In August or so, I notice that the pale-flowered *Sinensis* form is up among the gutters of the house which it has long smothered.

I tidy it up, too late and too gently. Hence it flowers with restraint. The next fortnight, rather, is the proper *time* at which to strike.

Should you also feed it? Certainly a young one should not be allowed to dry out. Be careful, especially if it is planted at the foot of a tall south wall in one of those narrow beds overhung by a gutter high above it. These are the driest places in the whole garden. Otherwise, I am persuaded by experiment that it is worth giving the plant a dose of sulphate of potash, four ounces to a square yard, in early *spring* and August. Young plants can be mulched, but manure, I find, merely fosters a huge forest of young streamers.

Which should you buy for your warm west or south wall, remembering that *Wistarias* climb high and do not flower in shade? Nurseries will sell you the Chinese *Sinensis* whose flower-trusses are short, and sweetly scented. The depth of their lilac colouring varies from plant to plant. Of course this is lovely and quite reliable. There are fine, heavily pruned plants of it on those old iron steps at the foot of pre-war fire escapes in many a town garden. The site, *if sunny, suits them* well. Never buy a "pink" variety as it is hardly pink and always disappointing. Instead that huge, three-foot trusses of flower on the Japanese variety, sometimes sold as *Macrobotrys*, are an astonishing sight. But they need space and on the whole are more awkward in their tastes. The best for bold gardeners is the rare white *Venusta*, still offered by Notcutts of Woodbridge, Suffolk.

Its flowers are big, in broad *trusses*. The leaves show that special silvery down when they first open to bronze, colour, young and fresh. The scent is exquisite and the sight of white flower against this young leaf is unforgettable. Try it, if you can afford it. Prune it, spray *it and water it*. I *promise* you that for once, the effort is worthwhile.

One hope for France in Irish Sweeps Derby

RACING — BY DOMINIC WIGAN

FRANCE, whose Irish Sweeps Derby winners in recent years have included Prince Regent, Irish Ball and Malacate, will have only one representative on Saturday.

This is El Badr, trained by *Maurice Zilber, whose name was*, inadvertently, not published with the second list of entries. Yves Saint-Martin will ride the Weaver's Hall colt, whose only success was when he landed a modest maiden event on his home course of Chantilly this month.

Although it is hard to make out a case for him—even with the likelihood of considerable improvement being shown—there is no possibility that he will be friendless in the market after the 25-1 Zilber-Saint-Martin surprise with Montcontour in Friday's Hardwicke Stakes at Royal Ascot.

Zilber, who more than matches Ryan Price's "Whitstead will win the St. Leger" in the modestly stakes with such statements as "I can walk on water" (a sequel to Empery's Derby victory), now rates Moncontour a "far better horse" than that Epsom winner.

The probables for the Sweeps Derby include Shirley Heights (Greville Starkey), Hawaiian Sound (Willie Shoemaker), Inkerman (Lester Piggott), Exdirectory (Christy Roche), Valley Forge (Wally Swinburn), Remainder Man (Tony Ives), El Badr (Yves Saint-Martin), Majestic Maharaj and Strong Gale. The last-named pair do not have riders booked.

The Epsom Derby winner, reported by his handler, John Dunlop, to be in tremendous shape, was again in demand yesterday at 6-4 and 11-8 is now the best price available in some lists.

Hawaiian Sound and Inkerman stand at 3-1 and 6-1 respectively, while El Badr varies between 12-1 and 16-1.

This afternoon at Salisbury, where Better Blessed can justify the long haul from Suffolk, by lifting the Gwen Blagrave Memorial Stakes, I hope to see the Bill Wightman filly, Mallabee, return to winning form in the Wilton Handicap.

This three-year-old is not harshly treated with 8st 4lb and will take a tremendous amount of holding if she recaptures her best form of last summer.

SALISBURY
2.15—Malnabee***
2.45—General Carl
3.15—Better Blessed**
3.45—Tweel*
5.45—Heroic
6.15—Amherst

GLC considers tube safety plan

LONDON TRANSPORT has asked the Greater London Council to approve a £1m programme of permanent safety measures for tube trains entering terminal stations on the Underground.

The proposed modifications to buffers, signalling and traction-current arrangements at nine terminal stations would improve safety without causing the delays that result from temporary precautions adopted after the Moorgate accident three years ago.

EEC to open Israel office

The EEC will establish its first permanent representation in Israel at the end of this year, according to Mr. Raymond Vouel, a member of the EEC Commission, who came to Israel to participate in Europe Day at the Modern Living Fair, currently being held here, our Tel Aviv correspondent writes.

This is the first time that the EEC has had its own pavilion at this annual event, which is similar to Britain's Ideal Homes Exhibition.

RHM store will cost £500,000

A £500,000 FLOUR warehouse and packaging plant is being built by Fairclough Building for Ranks Hovis McDougal at Rotherham, South Yorkshire.

It will serve the company's adjoining flour mill and will have space for 30,000 50kg bags of flour. Packing will be highly automated.

New cash boost for Newcastle

NEWCASTLE City Council is to allocate another £600,000 for industrial promotion this year, bringing the total for company loans and grants to £1.3m.

The extra money follows the launch in April of a £200,000 national advertising campaign that has attracted inquiries from 150 industrialists.

£3m paint shop for Chrysler

THE FIRST phase of the Dodge £3m electrophoretic paint shop is in operation at Chrysler's truck plant in Dunstable, Bedfordshire.

It gives improved rust-proof and priming facilities. It is to be completed in September.

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.55 a.m. Open University Ultra High Frequency. 1.30 p.m. Bagpuss. 1.45 News. 1.55 Wimbledon Lawn Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School. 4.45 Boss Cat (cartoon). 5.10 Newsround Weekly. 5.35 The Wombles.

5.40 News (London and South-East only).
5.55 Nationwide.
6.15 *Wimbledon Tennis.*
7.20 The Big Time.
8.10 Z Cars.
9.00 News.
9.25 The Risk Business.
10.05 Jack Jones sings songs, with guest Shirley Bassey.
10.50 Tonight.
11.30 The Sky at Night.
11.50 Weather/Regional News.

All Regions as BBC-1 except at the following times:

Wales—5.10-5.35 p.m. Bilidowcar. 5.55 Wales Today. 6.15-6.40 Heddiw. 6.40 Joins BBC 1 (Wimbledon). 11.50 News and Weather for Wales.

Scotland—5.55-6.15 p.m. Reporting Scotland. 11.50 News and Weather for Scotland.

Northern Ireland—4.18-4.20 p.m. *Northern Ireland News.* 5.55-6.15 Scene Around Six. 11.50 News and Weather for Northern Ireland.

England—5.55-6.15 p.m. Look East (Norwich); Look North (Leeds, Manchester, Newcastle); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 a.m. Open University.
10.35 Gharbar.
11.00 Play School (As BBC-1 4.20 p.m.).
11.25 Open University.
2.00 p.m. Wimbledon Tennis Championships.
8.00 News On 2.
8.10 Spaceships Of The Mind.
9.00 Call My Bluff.
9.30 Globe Theatre.
10.55 Late News On 2.
11.05 *Wimbledon highlights.*
11.55-12.05 a.m. Closedown (reading).

LONDON

9.30 a.m. A Place To Live. 9.55 Catch '77. 10.20 The Undersea Adventures of Captain Nemo. 10.30 An Asian Notebook. 11.00 Popeye. 11.05 Goostrey—A Village. 12.00 Here Comes Mumfie. 12.10 p.m. Rainbow. 12.30 Sounds of Britain. 1.00 News plus FT index. 1.20 Help! 1.30 Crown Court. 2.00 After Noon. 2.25 Golf. 4.20 Michael Bentine's Potty Time. 4.45 Shadows. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames At 6.
6.35 Crossroads.
7.00 Don't Ask Me.
7.30 Coronation Street.
8.00 Relatively Secombe.
9.00 Best Sellers, part 1.
10.00 News.
10.30 Best Sellers, part 2.
11.15 Whicker's World.
12.15 a.m. Close: A painting by Van Gogh with music by Mozart.

All IBA Regions as London except at the following times:

ANGLIA

10.20 am Friends of Man. 10.40 In Concert. 1.25 pm Anglia News. 2.00 Houseparty. 5.15 The Rolf Harris Show. 6.00 About Anglia. 12.20 am The Big Question.

ATV

9.15 am Something Different. 10.20 Angling Today. 10.45 Sob Iclo. 1.20 pm ATV Newsdesk. 5.15 The Flintstones. 6.00 ATV Today. 11.20 Citizen's Rights.

BORDER

10.20 am Survival. 10.45 In Concert with Meal Ticket. 1.20 pm Border News. 2.00 Houseparty. 5.15 The Rolf Harris Show. 6.00 Lookaround Wednesday. †12.20 am Border News Summary.

CHANNEL

1.18 am Channel Lunchtime News and What's On Where. 6.00 Channel News. 6.15 The Beatles. 10.28 Channel Late News. 12.10 am News and Weather in French followed by Epilogue.

GRAMPIAN

9.25 am First Thing. 10.20 Wild Country. 10.45 In Concert with Meal Ticket. 1.20 pm Grampian News Headlines. 6.00 Grampian Today. 6.30 Police Newsroom. 12.20 am Reflections. 12.25 Grampian Late Night Headlines.

GRANADA

10.20 am Elephant Boy. 10.45 Look at Life. 10.55 Kathy's Quiz. 1.20 pm This is Your Right. 5.10 What's New. 5.15 Crossroads. 6.00 Granada Reports. 6.30 University Challenge. 12.15 am A Little Night Music with John James.

HTV

10.20 am The Lost Islands. 10.40 In Concert with Meal Ticket. 1.20 Report West Headlines. 1.25 Report Wales Headlines. 2.00 Houseparty. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Report West. 6.15 Report Wales. 6.30 Father Dear Father.

HTV Cymru/Wales—As HTV General Service except: 1.20-1.25 pm Penawdau Newyddion y Dydd. 4.20 Miri Mawr. 4.30-4.45 Un Tro. 6.00-6.15 Y Dydd.

HTV West—As HTV General Service except: 1.20-1.30 pm Report West Headlines. 6.15-6.30 Report West.

SCOTTISH

10.20 am Clue Club. 10.45 Stationary Ark. 1.25 pm News and Road Report. 2.00 Women Only. 5.15 Cartoon—Sinbad Junior. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Reflections on Sport. 12.10 am Late Call.

SOUTHERN

10.20 am Skippy. 10.45 In Concert. 1.20 pm Southern News. 2.00 Houseparty. 5.15 Sinbad Junior. 5.20 Crossroads. 6.00 Day by Day: Wednesday Extra. 12.20 am Southern News Extra.

TYNE TEES

9.25 am The Good Word followed by North East News Headlines. 10.20 Wild Country. 10.45 In Concert with Meal Ticket. 1.20 pm North East News and Lookaround. 2.00 Women Only. 5.15 Happy Days. 6.00 Northern Life. 11.20 Landscape. 11.50 Epilogue.

ULSTER

10.20 am The Lost Islands. 10.40 In Concert. 1.20 pm Lunchtime. 4.18 Ulster News Headlines. 5.15 The Partners. 6.00 Ulster Television News. 6.05 Crossroads. 6.30 Reports. 6.45 Witherspoon. 11.20 Bedtime.

WESTWARD

10.20 am The Beachcombers. 10.40 Jazz Concert. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 6.00 Westward Diary. 10.28 Westward Late News. 12.15 am Faith for Life.

YORKSHIRE

10.20 am The Outsiders. 1.20 pm Calendar News. 5.15 The Beachcombers. 6.00 Calendar (Emley Moor and Belmont editions).

RADIO 1 — 247m

(S) Stereophonic broadcast
(MW) Medium Wave

5.00 am As Radio 2. 7.02 Dave Lee Travis. 9.00 Simon Bates. 11.31 Paul Burnett including 12.30 pm Newsbeat. 2.00 Tony Blackburn. 4.31 Kid Jensen including 5.30 Newsbeat. 7.30 Sports Desk (joins Radio 2). 10.02 John Peel (S). 12.00-2.02 am As Radio 2.

VHF Radios 1 and 2—5.00 am With Radio 2 including 1.55 pm Good Listening. 2.02 Pete Murray's Open House (S) (continued from Radio 2, 12.30). 2.30 David Allan (S). 4.30 Waggoners' Walk (also 200kHz, 1484kHz). 4.45 John Dunn (S). 7.00 With Radio 2. 10.02 With Radio 1. 12.00-2.02 am With Radio 2.

RADIO 2 — 1,500m and VHF

5.00 am News Summary. 5.02 Richard Vaughan (S) with The Early Show including 6.15 Pause for Thought. 7.32 Terry Wogan (S) including 8.27 Racing Bulletin and 8.45 Pause for Thought. 10.02 John Timpson (S). 12.15 pm Waggoners' Walk. 12.30 Pete Murray's Open House (S) (continued on VHF) including 1.45 Sports Desk. 2.02 Wimbledon Lawn Tennis Championships 2.45, 3.45 Sports Desk, 4.30 Waggoners' Walk (as VHF). 4.45, 5.45, 6.45 Sports Desk. 7.02 Sing Something Simple (S). 7.30 Sports Desk. 7.33 Listen to the Band (S). 8.15 Semprini Serenade (S). 9.02 Jack Buchanan, The Complete Entertainer (3) Fancy Our Meeting. 9.55 Sports Desk. 10.02 The Cheeky Chappie, two-part profile of Max Miller (2) The Road to Stardom. 10.30 Hubert Gregg says Thanks for the Memory. 11.02 Brian Matthew introduces Round Midnight including 12.00 News. 2.00-2.02 News Summary.

RADIO 3 — 464m, Stereo & VHF

6.55 Weather. 7.00 News. 7.05 Your Midweek Choice, part 1 (S). 8.00 News. 8.05 Your Midweek Choice, part 2 (S). 9.00 News. 9.05 This Week's Composer: Bartok (S). 9.50 Music for Organ (S). 10.20 Bartok and Schubert chamber music concert (S). 11.30 Bratislava Festival 1977 concert, part 1: Silvestri, Lalo (S). 12.05 pm Interval Reading. 12.15 Concert, part 2: Borodin. 1.00 News. 1.05 Concert Hall (S). 2.05 Samuel Sebastian Wesley concert, part 1 (S). 3.00 Winchester in Wesley's Time (reading). 3.15 Concert, part 2. 4.20 Gibbons concert (S). 5.05 Building a Library (S). 5.45 Homeward Bound (S). 6.05 News. 6.10 Homeward Bound (continued). 6.30 Lifelines: Language and Communication. 7.30 BBC Northern Symphony Orchestra, part 1: Sibelius, Finzi (S). 8.15 The Arts Worldwide. 8.35 BBC Northern SO, part 2: Grieg, Bax (S). 9.15 Turina chamber music (S). 9.40 Scientifically Speaking. 10.25 Alkan piano recital with introduction (S). 11.35 News. 11.40-11.45 Tonight's Schubert Song (S).

Radio 3 VHF only—6.00-7.00 am Open University.

RADIO 4 — 434m, 330m, 285m and VHF

6.15 am News. 6.17 Farming Today. 6.35 Up to the Hour. 7.00 News. 7.10 Today. 7.35 Up to the Hour (continued) including Thought for the Day. 8.00 News. 8.10 Today. 8.35 Yesterday in Parliament. 9.00 News. 9.05 The Living World. 9.35 Over Here, Over There. 10.00 News. 10.05 In Britain Now. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Conversation Piece: Sir Bernard Miles. 11.50 Do Animals Talk? 12.00 News. 12.02 pm You and Yours. 12.27 The Spamfritter Man (S). 12.55 Weather: programme news. 1.00 The World at One. 1.30 The Archers. 1.45 Woman's Hour including 2.00-2.02 News. 2.45 Listen with Mother. 3.00 News. 3.05 Afternoon Theatre (S). 3.50 Choral Evensong. 4.35 Story Time. 5.00 PM Reports. 5.40 Serendipity. 5.55 Weather: programme news. 6.00 News. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 File on 4. 8.00 I Died in Hell: They Called it Passchendaele: Recollections by survivors of the third battle of Ypres, 1917. 9.00 Science Now. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The End of the Pier?: The story of British seaside piers. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London — 206m and 94.9 VHF

5.00 am As Radio 2. 6.30 Rush Hour. 9.00 London Live. 12.03 pm Call In. 2.03 206 Showcase. 4.03 Home Run. 6.10 Look, Stop, Listen. 7.30 Black Londoners. 8.30 In Concert. 10.03 Late Night London. 12.00 As Radio 2. 12.05 am Question Time from the House of Commons. 1.05-Close As Radio 2.

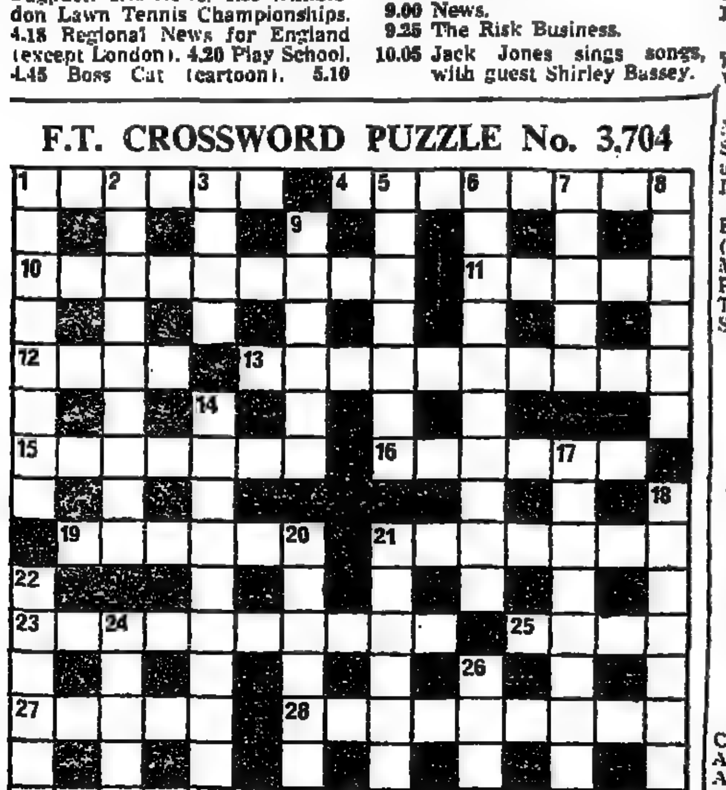
London Broadcasting — 261m and 97.3 VHF

5.00 am Morning Music. 6.00 AM: non-stop news, information, travel, sport and review. 10.00 Brian Hayes Show. 1.00 pm LBC Reports. 3.00 George Gale's 3 O'Clock Call. 4.00 LBC Reports (continues). 8.00 After Eight. 9.00 Nightline with Bryn Jones. 1.00 am Night Extra with Adrian Scott.

Capital Radio — 194m and 95.8 VHF

6.00 am Peter Young's Breakfast Show (S). 9.00 Michael Aspel (S). 12.00 Dave Cash (S). 3.00 pm Roger Scott (S). 7.00 London Today (S). 7.30 Adrian Love's Open Line (S). 9.00 Nicky Horne's Your Mother Wouldn't Like It (S). 11.00 Tony Myatt's Late Show (S). 2.00 am Mike Smith's Night-Flight (S).

F.T. CROSSWORD PUZZLE No. 3,704



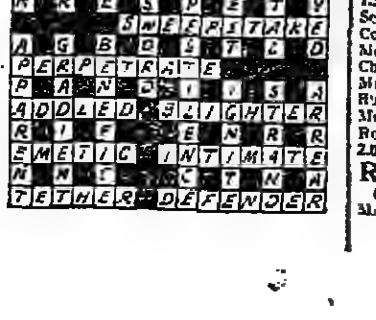
ACROSS

1 Conference with war prisoner—gosh! (6)
4 Killing speed (8)
10 Ocean began to be isolated (6, 3)
11 Underground traveller or sprouter (5)
12 Wood with leaves potted by king (4)
13 Distant Europeans take a share (5, 5)
15 Break old instrument before tea-break (7)
16 Go by car round Orient to obtain . . . (6)
19 . . . a lot of racehorses showing way to parade ground (6)
21 Stocktaking specialist (7)
23 Rich praise for successful scrummaging (4-6)
25 Average design (4)
27 A fisherman could find this a drag (5)
28 Statesmen taking to crime as an alternative (9)
29 Two deer—the second one lame—impeded . . . (8)
30 . . . one after the other they say by doctor (6)

DOWN

1 Assume I have become certain (8)
2 Some fight I suggest (4, 5)
3 Ring soldiers to sign for the future (4)
5 Fashionable to have all the runners stationed near batsman (7)
6 Persuade someone who votes (4, 6)
7 Turn up first-class portion of shin (5)
8 Girl's toe broken up to now (6)
9 Retiring to upset eastern wolf (6)
14 Europeans depressed by cheese (6, 4)
17 Turn round electrical unit with key features (5, 4)
18 Relative given thousands of dollars with no upheaval (8)
20 Two points in category of shell (7)
21 Jacket for pot smoker (6)
22 Whip needs a change (6)
24 Become aware that the French have a navy (5)
26 Left one willing beast (4)

SOLUTION TO PUZZLE No. 3,703



ENTERTAINMENT GUIDE

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THEATRES

CINEMAS

CLASSIFIED ADVERTISEMENT RATES

Other Place, Stratford-upon-Avon

Captain Swing

by MICHAEL COVENEY

This engrossing, entertaining new play by Peter Whelan has reached production in the Royal Shakespeare Company's Stratford studio via a workshop reading in London last season. Apart from its inherent quality, it vindicates an important aspect of the company's work at ground level. Mr. Whelan is not a young writer, but he is a comparatively new one, known only to me for his collaboration on a West End thriller vehicle for Margaret Lockwood a couple of years back. He has now come up with a richly panoramic account of the farm labourers' uprising in a Sussex village of 1830. In some ways, the piece takes up the thread of Edward Bond's *The Fool*, an imaginative treatment of the effects of the enclosures policy in the Northamptonshire of John Clare.

It is similarly ambitious and just as successful. Whereas Bond contrasted the poet's dilemma with the more militant outlook of a close friend, a rich vein of theatre is here mined in the dialect between excited followers of the mythical Captain Swing, whose letters terrorised the gentry, and the humane pleas of a village wheelwright, Mathew Hardeness (David Bradley) to press for basic rights before total revolution.

The local Joan of Arc, Gemma Beach, believes that Swing has come to the village in the broken, gibbering form of an English soldier lately in France. A couple of stunning tableaux, presented as dreams, evoke Swing as a Pimpernel-style saviour at the head of a fanatical army swathed in the Tricolour. Swing's case is argued in more realistic scenes by an Irish radical (Paul Moriarty); and the balance of the action is finely held in the mood of a deftly painted gallery of farm workers who capitulate to his low opinion of them by settling for 2s 6d a day and celebrating small triumphs instead of planning complete victory.

Correct emphasis is placed on the non-violent behaviour of the peasants throughout the southern counties where the destruction of threshing machines symbolised the uprising. The machines threatened employment but the movement was inevitably weakened by playing into the farmers' hands and joining with them to get tithes and rents lowered. Mr. Whelan restricts his comments on the severity of the magistrates' courts (so vividly and angrily documented in the Hammonds' classic source book, *The Village Labourer*) to a closing sentence for each labourer on what became of him. Transportation of the body, but not of the soul, was the order of the day. The point is briefly but movingly made. The play's business is the description of a village society deciding for itself what form its dissent in poverty should take.

This is brilliantly done in a series of highly charged scenes that frequently have a double kick, as when the geographical progress of the uprising is reflected in the convention of three local aristocrats—a parson, a magistrate and a lady—and brought fiercely into focus with the lady's demand for safe conduct of her family to Kent. Large events are continually referred back to an exactly observed social milieu, whether it be that of the labourers meeting excitedly by torchlight to form their committees, or of the gentry lining itself, backs to the wall, to receive mildly phrased requests in a local church.

Bill Alexander's meticulous production marshals the elements of the play with exemplary rigour, creating a series of superbly varied stage pictures strong enough to incorporate the fantastical Swing interludes without undue force. The company is uniformly magnificent, with Zoë Wanamaker as Gemma catching the eye with a sustained display of fevered, perhaps foolish, commitment. If this astonishing new work is, above all, about the need in people to create their own gods, then that is what Miss Wanamaker conveys at full tilt whenever she appears.

David Bradley, Alan Rickman and Zoë Wanamaker

Television

Putting business into perspective

by CHRIS DUNKLEY

For years businessmen of all sorts complained that television gave them a raw deal. Not only was there a terrible dearth of programmes dealing factually with their interests, they moaned, but they were consistently misrepresented in drama programmes which invariably portrayed businessmen as a crowd of unprincipled, scheming money grubbers.

This matter of being calumniated in every sort of drama from soap opera to prestige play is something that they will simply have to get used to. It was not started by television, and what businessmen should realise is that teachers, soldiers, scientists and for that matter journalists all consider themselves to be lampooned appallingly by television. Taxidermists and musical fountain operators feel the same, I am sure.

This is no doubt partly because writers do, indeed, invent a lot of bad guys in all professions, there being more drama mileage in bad guys than in good guys. But it is also because when they do portray good guys everyone promptly forgets them. Shakespeare did actually outnumber Shylock two to one with Antonio and Bassanio but try asking the next 10 people you meet to name a character from *The Merchant of Venice* and see which one they remember.

In that respect, then, businessmen will simply have to resign themselves to equal treatment with the rest of us. But in the matter of factual programmes about business they no longer have grounds for complaint. Such programmes are, if anything, becoming too common. In the week under review we had *The Money Programme* from BBC 2, *How To Be Your Own Boss* from BBC1, *What About The Workers* from Thames, a documentary about industry in South Korea under Granada's *Nuts And Bolts Of The Economy* title, and the first of six Sunday morning seminars under the same title.

You could also see John Swinfield's lively *Enterprise* in the Anglia area, and at different times of the year Thames's *Time For Business* would have been going out too.

A lot of recent programmes have been about small businesses: in *How To Be Your Own Boss*, for instance, Christopher Brasher and Peter Spry-Leverton hunted down a collection of refreshingly successful "small" businessmen ranging from the pocket calculator man Clive Sinclair to Joseph Radley who "sells holes" to the big electronics firms and calls himself Holey Joe . . . *The Money Programme* repeated an old film about small businessmen (it recently won an award) and gave it a re-tread in the form of a new studio discussion.

The two *Nuts And Bolts Of The Economy* programme were more concerned with national and international economics. Tuesday's episode about South Korea used the highly successful technique, pioneered by Granada, of taking representatives of British industries (in this case shoes and cutlery) around foreign factories to compare and comment on methods and conditions. The Sunday programme, featuring a discussion panel of 14 heavyweights ranging from Hugh Scanlon and Joel Barnett to Lord Kearton and James Prior, was concerned particularly with investment. What *About The Workers* looked at British co-operatives from Walsall Locks to the John Lewis Partnership.

None of these programmes was of low quality. Each was proficiently made and although they ranged from the bitty but perpetually interesting (*How To Be Your Own Boss*) to the worthy but tedious (*Nuts And Bolts* seminar) there was not one that was a waste of time.

Mike Scott (centre) chairs Granada's 'Nuts and Bolts of the Economy'

Yet television is wasting its unique characteristics. Although the medium is so wonderfully well suited to multi-disciplinary discussions and subject matter, being able at the flick of a production gallery switch to change stance, or mood, or approach, it has allowed itself to settle down into the same old rigid divisions which you find so often in newspapers, magazines and even books. Thus business is business and all the rest (arts, philosophy, all the humanities) is all the rest, and never the twain shall meet.

Every one of these programmes rested on several tacit assumptions, notably that matters directly involving the economy—industry, commerce, investment—exist independently of the rest of life. Furthermore they all seemed to assume more or less explicitly that everyone agrees that British business is in a bad way, that British society is therefore in a bad way, and that more growth would be A Good Thing and (tacit assumption number three or four) would improve the general quality of life.

It would have been fascinating to see the reactions of any of the participants in any of these programmes to an interruption from behind the cameras from one of the make-up girls, say, or a lighting technician (not the technician's union's national secretary) to the effect that she or he didn't particularly want to work any harder, didn't want a second refrigerator, would prefer more holidays to more money, and considering one thing and another (Britain's symphony orchestras, for instance, or perhaps the comparatively low murder rate) really didn't feel that this society was quite the abject failure that was being implied.

This is not to suggest that television should give up all programmes containing criticism of Britain's condition and promote national complacency instead. It is to suggest that the quality of life has a lot more to it than arithmetic, and that the worker on the shop floor, in the guard's van, on the lecturer's rostrum or wherever he may be, senses it.

The negative evidence of television's business programme suggests he realises it better than some of our industrial leaders and better than some of our television producers. Of course there will always be some people who will refuse to allow society to stand still, and will insist upon accepting any challenge which presents itself, whether it be the direct route up Everest or eradicating want from society.

That is really what Nigel Calder's *Spaceships of the Mind* seems to be about. The admirable characteristic of Part 1 of this BBC2 series was that it did have the scope to take in both man's instinct to keep conquering and colonising new territories, and also the fact that the colonisation of space is in financial terms (gross international product, or something) very different from the colonisation of America.

Our business programmes could do with a little of the breadth of vision in *Spaceships of the Mind*.

Before the World Cup disappears from view for another four years there is one thing which should be said about the duplication of coverage. The popular view, understandably enough, is that it is absurd for BBC1 and ITV to broadcast identical pictures simultaneously. Last week's NOP poll said that 88 per cent of people felt that identical coverage on two channels was either a "bad" or a "very bad" thing. It is the next step, however, on which a little care is needed.

The same poll said that 82 per cent thought the BBC and ITV should be "made" not to show identical programmes. This again confirms the common view expressed in the Press and elsewhere, and the conclusion that the BBC and ITV should be forced to adopt some simple alternation of coverage. Since it is known that ITV have always pressed for this and the BBC have resisted it, the BBC are usually cast in the role of villains.

Yet it seems to me that the BBC have a very strong case. They argue that whenever there is duplication of sports coverage, the audience proves its preference by switching in much larger numbers to the BBC than to ITV, and sure enough this occurred again with the World Cup. Figures so far to hand show (according to the BBC) that Scotland's first match was watched by 18m on BBC1 and by 5.5m on ITV and that the last two were watched by 17.5m on BBC1 and by 7m on ITV. Figures from ITV do not show such a large gap, but even they have to admit that many more people consistently choose the BBC.

This being so, the idea of enforced "alteration" is obviously not as equitable as it sounds. On the contrary, the idea would seem exactly like making the more successful of two high street greengrocers close down on alternate days in order to force customers to use the less successful.

As the underdogs it is quite understandable that ITV should press for alternation since it allows them to appear sweetly reasonable while making the BBC seem pig-headed. But ITV cannot at the same time talk about "fairness." If most sports fans want to watch big sporting occasions on BBC, and if the BBC are willing to go on televising them, in what way is it "fair" to force the BBC to hand over half those occasions to ITV?

Churchill, Bromley

The Woman I Love

The Churchill is a new theatre in the centre of Bromley. It is comfortable and conservative like its potential local customers. Its productions are cautiously tuned to the market, too. On Monday there opened *The Woman I Love*, a new play by Dan Sutherland about the Abdication crisis of 1936. Judging by the nudges in the house it seemed like only yesterday to many of the audience.

You need a really good excuse to write more about the most exalted soap opera of the century—a man's choice between a crown and a woman. In the event Mr. Sutherland has produced an apology of a play, which is mostly remarkable for its lack of fresh insight. The only skeletons exposed are those of the actors coping with the clichés in a thin script.

Not that you can write about "David" and "Wally" and bigoted Mr. Baldwin and dutiful Queen Mary without taking sides, and Mr. Sutherland adopts the popular view of the time that the King was a weakling and Mrs. Simpson an ambitious Yankee hooked on being Queen of England. The rest of the small cast fall into line—Baldwin is dogged; Beaverbrook blusters; Queen Mary is austere; Walter Monckton is legal; and the Butler gets to open the door on to an impressive drawing room at Fort Belvedere more often than any theatrical Butler for a generation.

Yet this rather provincial evening is redeemed by stronger than expected performances from Martin Jarvis as Edward and Holly Palance as Wallis. At the start they banter away like young marrieds in a television comedy series but the characters grow. Jarvis has the advantage of looking passably like the King and also catches his almost Cockney drawl. He is especially good at bringing out the selfish spoilt child, streak—making Baldwin stand during their encounters, bawling out the Butler, switching quickly from dejection to jubilation.

Holly Palance is too pretty for Mrs. Simpson, but captures the discreet control she exerted over him.

The rest of the cast had a bad time of it, only Ivor Danvers as Monckton and Ellen Pollock as Queen Mary meriting a pass mark. The set looked solid and Francois Landry's direction was stolid.

ANTONY THORNCROFT

Leonard Burt

Martin Jarvis and Holly Palance

New Gallery

Matrix 78

by DOMINIC GILL

Alan Hacker's group of voice, three reeds, percussion and piano called Matrix has now been enlarged to include flute, violin and cello, and renamed Matrix 78. The new players, Judith Pearce, Duncan Druce and Jennifer Ward Clarke, were once the core, with Hacker, of the old Fires of London (né Pierrot Players) ensemble: so it was apt that the new Matrix should have devoted the whole of the second part of their concert on Monday night to the first London performance in more than eight years of Harrison Birtwistle's *Medusa*—first heard in its revised "Pierrot" version at the Pierrot Players' "Spring Song" concert on the South Bank in 1970.

Medusa is a powerful piece, 40 minutes long, complex in its working, rich in its resonance—a link, as our programme noted, between the taut, hard-edged early Birtwistle of *Tragoedia* and *Verses for ensembles* and the later lyrical style of *Death of Orpheus* or *Silbury Air* (easy now to credit it with the undoubted distinction of having been booed off the stage by a Royan audience at its French premiere).

Both worlds are combined (as in a broader sense they still are in Birtwistle's music): the dark blue timbres and sighing cadences of *The Triumph of Time*, cut with the wry, sharp humour of the opera *Punch and Judy*; explosive instrumental songs, like lyrical bullets, ricochets between long, poignant laments. The closing pages are especially memorable: the narrative over, a slow, unwinding, calm suspension, still broken by percussion gunshot, all passion spent. An exceptionally fine performance from the new Matrix, strong and sure, was directed by the young composer and conductor George Brown.

The first part of the evening, the second in the New Macnaghten Concerts' British-East European series, focused briefly on Yugoslavia. "Music from Macedonia," three folk melodies sassily transcribed for clarinet and violin with cello and piano drone by Neil Sorrell, introduced *Atemstudie* for solo oboe—one of Vinko Globokar's many exuberant studies in breathing and vocal-instrumental techniques, delivered with impressive panache by Lorraine Wood. A tape-piece by the Yugoslav Ludmila Frajt called *Notturno* was short and sweet, an attractive canvas of electronic night-sounds, capable if not wildly remarkable. *Thin air* for instruments and tape by Mark Griffiths (b.1952) had a certain strangeness and simplicity of manner to recommend it: a subtle colour, and a good sense of shape, which I liked and responded to—an atonal texture lit with brief flashes of tonality, prefaced by a quotation from the soundtrack of a National Parks information programme, "Harmony seems to have disappeared into thin air."

London Choral concerts

This year's London Choral Society's Christmas Carol Concert at the Royal Albert Hall will be on the afternoon and evening of December 9. The concerts will be compered by Richard Stilgoe and the conductor will be Nicholas Cleobury.

The Choral Society's other concerts in the 1978-79 season will be: January 20 (Festival Hall) programme to include *A Child of our Time* by Sir Michael Tippett with the Philharmonia Orchestra conducted by David Atherton; February 15 (Albert Hall) *The Dream of Gerontius* with the Philharmonia Orchestra conducted by Kenneth Montgomery; Good Friday, April 13 (Festival Hall) *St. Matthew Passion* with the English Chamber Orchestra conducted by Nicholas Kraemer; June 16 (Albert Hall) *Belshazzars Feast*, with the Royal Philharmonic Orchestra conducted by Simon Rattle and July 2 (Festival Hall) Handel's *Messiah* with the English Chamber Orchestra.

Florence

Marrio musicale

by WILLIAM WEAVER

The 31-year-old Sicilian composer Salvatore Sciarrino began attracting attention almost a decade ago with works performed at various festivals of contemporary music and then over the Italian Radio. His music has been written mostly for chamber formations, and it is notable for its exquisite instrumentation, its rarefaction. These are not qualities which are effective in the theatre, and, in fact, Sciarrino's stage-piece, *Aspern*, given its premiere at the Marrio musicale this month, was notably drab and pallid.

Subtitled "singspiel," the piece is hardly what we would think of as an exemplar of that genre. There is very little singing, and the music is confined generally to accompanying, with a discretion that often fades into near-nothingness, a theatrical work devised by Giorgio Marini (also the producer) from the Henry James novella inspired by the story of Byron and Claire Clairemont. Marini's name has been mentioned before in these columns (he was partly responsible for an excruciating Satie travesty in Rome two years ago). He is good at creating stage-pictures—and for *Aspern* he was much helped by the brilliant designer Pasquale Grossi—but he is perversely opposed to acting. The scenery does most of the work. The tableaux are drawn out, and such action as there is moves with excruciating slowness. The words are spoken in a dreary sing-song, with extended pauses in unlikely places. Under the circumstances, it was hard to give much thought to Sciarrino's remote glissandos and wind-sounds (his six musicians were deployed in the royal box of the Teatro della Pergola, behind the audience), which, for that matter, were often hard to hear.

I must say, in all honesty, that the above remarks apply to the first act (of two) of *Aspern*. It lasted over an hour, and the Pergola had turned off the air-conditioning. There are limits of the discomfort to which even a critic should be subjected. Like a number of others, I left the theatre before the work's end.

At the Teatro Comunale, Benjamin Britten's *A Midsummer Night's Dream* fared much better. Britten expressed himself firmly on the vexed question of translating operas; he believed they—and his own operas especially—should be given in the language of the audience. All very well, but no translator (even as gifted a linguist as Paolo Ojetti) can be expected to produce a singable Italian text anywhere close to the Shakespearean original, which Britten handled with such delicacy and respect. So—thanks to Britten's tactful writing and to the singers' admirable enunciation—the text was totally intelligible, but not very interesting. The rustics came off particularly badly; and in the end, this *Sogno di una notte di mezza estate* was too somnolent, just within the boundary of boredom. Bruno Bartoletti conducted the score with great sensitivity and accuracy, and the Florence orchestra played well for him, confirming its improvement this year.

There were also some excellent singers. Slavka Taskova Paoletti was an ethereal Titania, and Margherita Rinaldi was a moving Helena. Among the men, Eduardo Gimenez sang persuasively in the part of Lysander, while the veteran baritone Rolando Panerai, in excellent voice, made the most (but not too much) of Bottom's music. Ulisse Santicchi designed fanciful costumes and a blossoming bower, capable of many, rapid transformations. Giulio Chazalettes shrewdly exploited the versatility of this setting, and moved his artists meaningfully (apart from some exaggeration with the comics in the last act). An enjoyable, if not exciting, performance.

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An unfair way to tax

THE ANGLO - AMERICAN double taxation treaty, which has involved several years of painstaking negotiation by the two governments, has now been undermined by the U.S. Senate. Last week the Senate failed to muster the necessary two-thirds majority and thus the treaty in the form approved by the governments was affectively killed. Yesterday the Senate voted on a revised version, without the controversial Clause 9 (4) which deals with the unitary system of taxation imposed by California and two other states, and approved it by a substantial majority. But for the British Government and British investors Clause 9 (4) was the key element. Considerable concessions had been made to U.S. companies operating in the UK; some have said that these concessions were far too generous. But they were justified on the basis that UK companies were to be relieved of the unfair and onerous system of unitary taxation.

Withdrawal

What happens next is not at all clear. There will be strong pressure from the British side to re-negotiate the entire treaty and this could include withdrawal of some of the concessions made during the negotiations. A further period of uncertainty is inevitable and this can hardly be good for the free flow of investment between the two countries.

The significance of the Senate's action lies not so much in the immediate damage that will be caused to British companies as in the precedent that has been set. The unitary system imposed by California and followed by Alaska and Oregon assesses the tax payable by a foreign company operating within the state not on the basis of the actual profits earned in the state, but according to a formula which takes into account the worldwide operations of that company. The formula involves three percentages, the ratio of California turnover to world turnover, Californian assets to world assets and Californian payroll costs to world payroll costs. These ratios are then averaged and the average is the percentage of the company's worldwide income which is subject to tax in California.

The Californian approach has been widely condemned because it subjects to state tax income which does not arise in the state. It is contrary to the arm's length principle which is followed by the U.S. Federal Government and which is embodied in the model income tax convention prepared by the Organisation for Economic Co-operation and Development; that convention specifically applies the arm's length principles to subsidiary levels of government.

Article 9 (4) was designed to exclude from the tax base of the states (using California as an example) income of UK corporations or their affiliates in third countries which have no connection with California. Opponents claimed that this was an unacceptable infringement of the right of individual states to tax companies on whatever basis they saw fit. There were suggestions that if the Administration wished to impose such a restriction on the states, it should introduce a separate Bill for that purpose, rather than include it in a double taxation treaty.

The appeal to states' rights clearly had a greater impact on members of the Senate than the Administration had expected. But the wider danger is that other countries, especially in the developing world, will be encouraged to adopt the unitary principle. It is often argued that multinational companies, through the transfer pricing mechanism, can decide for themselves whether to take the bulk of their profits in one country rather than another; on this view national tax authorities ought to concern themselves, not just with reported profits in their own country, but with the earnings of the parent company.

Transfer pricing can present genuine tax problems, but most tax authorities, including that of the U.S., have powers to reallocate income between a subsidiary and its parent to achieve results which would have obtained in arm's length dealings. This is a more effective way of dealing with any distortions caused by transfer pricing than a general extension of the unitary principle.

It is in the interests of the U.S. and the UK that the tax treatment of multinationals throughout the world is fair, and the double taxation treaty was to have been a model for other countries. The damage caused by the Senate's action needs to be quickly repaired.

Moscow's hold on Aden

THE DEATHS of the presidents of north and south Yemen within days of each other denotes political turbulence on a scale exceptional even by troubled Yemeni standards. It is in marked contrast to the rest of the Arab world where in the last few years assassinations and coups have tended to be the rare exception rather than the rule it was in the 1950s and 1960s. It reflects the fact that these two poor countries are at the heart of tensions affecting the conflicts between East and West in Africa and the Arabian Peninsula and the Indian Ocean. The replacement of President Salem Rubai Ali in Aden by supporters of the hard line party leader, Mr. Abdel Fattah Ismail, must strengthen the position of the Soviet Union in the area.

Political obedience

Although the regimes in north and south Yemen have been somewhat different in political complexion, it has been a constant theme on both sides that one day they should unite. Against this becoming a reality without a physical takeover by one or the other has been the fact that north Yemen has for long been dependent on Saudi Arabia for financial aid in return for which political obedience was expected.

The south by contrast has been, since independence from Britain in 1967, under the rigorous control of the only openly Marxist-Leninist government in the Arab world—through a single political party now known by the ungainly name of United Political Organisation—National Front.

North Yemen accused the south of responsibility for the assassination last Saturday of President Ghashmi who was close to Riyadh. This was denied by President Salem Rubai Ali at the time, but since then he has been accused by those who deposed him, notably the party chief, Mr. Abdel-Fattah Ismail, of having been personally involved. The real reason was more probably a straight power struggle between two politicians who are known to have had different approaches towards south Yemen's role. This is indicated by the reason given subsequently for his execution—that he was trying to replace rule through the party by personal control.

The differences between the two men and Mr. Ismail's victory are crucial pointers to the future. Mr. Rubai Ali followed a pragmatic political line which was aimed at attracting financial aid to this destitute country—even if this meant improving relations with Saudi Arabia. Mr. Ismail favoured putting ideology first, to the extent that south Yemen has been actively supporting the Marxist government in Ethiopia against the Moslem rebels in Eritrea.

The immediate impact of this shift leftwards will be on relationships on the Arabian Peninsula. Progress towards Yemeni unity is halted, and the presidential council which replaced the late president has already broken relations with Aden. Saudi Arabia cut off aid to the south last October clearly convinced that it was wasting its time trying to lure Aden into a more moderate line. Nevertheless Riyadh will be more convinced that the encirclement it dreads by radicals is speeding up and that, more than ever, it needs the F-15s promised—and not to fight against Israel.

The Soviet foothold in Aden, now reinforced, could hardly be a more strategic position. For between south Yemen and east Ethiopia and the rest of Africa lies only the narrow width of the Bab el Mandeb straits. These control the entrance to the oil lanes which eventually pass through the Suez Canal, and the access to Israel's southern port of Eilat. To the east, the Soviet Union now has an assured port of call from which to patrol the Indian Ocean and the entrance to the Gulf. Mr. Rubai Ali's replacement effectively provides a strengthened link for Moscow between the conflicts in both Africa and the southern regions of the Middle East.

After the Rhodesian massacre:

Gloom gathers as time runs short in Salisbury

By Quentin Peel

THE MASSACRE of British missionaries and their families in eastern Rhodesia has provided a brutal reminder of the continued failure of the transitional government in Salisbury to reduce the slaughter in the guerrilla war. It revealed again the indiscriminate depths to which the war has sunk.

But if the killings may have given further ammunition to the backers of the internal settlement in Salisbury, they may have the effect of weakening the alliance between Mr. Ian Smith and the internal nationalist leaders. An event such as the massacre is likely further to exacerbate the frustrations already felt by both black and white participants in the settlement.

For the whites, it only illustrates once more the failure of the black partners—principally Bishop Abel Muzorewa and the Rev. Ndabaningi Sithole—to effect a ceasefire. To the blacks it is a bitter example of the double standards both of whites within the country, and of the international community. The missionaries were killed less than a month after the killing of 22 unarmed villagers at Domboshawa, a community just outside Salisbury itself. On that occasion, reports of the killings were censored by the military authorities, because it was Rhodesian troops who were responsible. In the case of the missionaries, the Rhodesian security forces provided facilities for maximum press coverage. As Bishop Muzorewa declared: "I believe this kind of thing goes on all the time, except it seems to be more news if it is white people.

Chief Chirau

As far as I am concerned there is no part in the war for the killing of children—black or white."

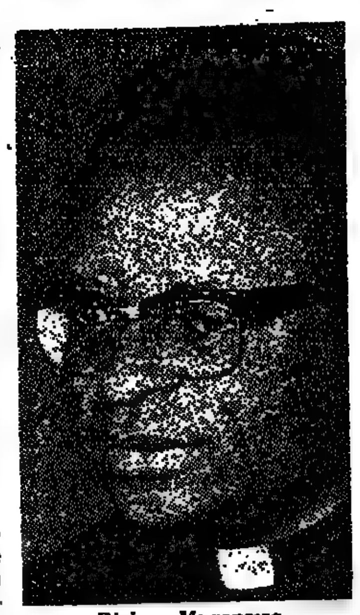
The frustrations with the internal settlement had become evident well before the missionaries died. The situation was well symbolised by the lack of pomp that attended the last opening of the Rhodesian Parliament in its white-dominated form on June 20. There was no sign of the normal guard of honour, no fly-past by the Rhodesian Air Force. The President arrived at the parliament building in his ageing Rolls-Royce with only a police band and a small crowd of the curious to greet him.

An atmosphere of almost palpable gloom reigns in Salisbury. Cafes and restaurants are struggling to do business. The lunchtime streets of what has always been a bustling, if incurably provincial, capital are strangely hushed. It is a white reaction to the high hopes which greeted the transitional agreement in March; black and white despondency about the apparent inability of the participants in the settlement to wind down the war; and black frustration with the lack of tangible benefits from the first participation of black leaders in Government.

The depression is made worse by an air of unreality. Politicians talk about de-escalating the war, while the military command issues mounting casualty figures. Businessmen congratulate themselves on the co-operativeness of the new black ministers, whose very compliance is daily losing them support in their own black townships. The military censors tighten their hold on all information on the war, to the extent of banning statements put out in the names of their new masters, Bishop Muzorewa and Mr. Sithole.

In the dying Parliament itself stalwart members of Mr. Smith's Rhodesian Front bitterly attacked the transitional Government for its lack of progress. Back bench members accused the Executive Council of "sitting on their collective posterior," failing to effect a ceasefire, making unsubstantiated claims about their contacts with guerrilla commanders, and attracting crowds to their meetings only with offers of free bus rides, "beer and bribes." There was almost equally outspoken criticism from the handful of black MPs, of the failure of the Government to commit itself to abolishing racial legislation as represented by the Land Tenure Act, let alone to act against the effective economic discrimination which exists throughout Rhodesian society. They also called for the transitional Government to talk to the external leaders of the Patriotic Front, Mr. Joshua Nkomo and Mr. Robert Mugabe.

For once, the Parliament would appear to reflect the feelings of the general black population: the black taxi driver, who declared that the black ministers representing him had



Bishop Muzorewa

been seduced by fat salaries and fine cars, the squatter outside Harare township, who accused the interim Government of "playing games talking to each other," when they should be talking to the real guerrilla commanders.

Certainly there has been little spontaneous demonstration of public support for the settlement from blacks. They have rather decided to wait and judge it by results. To date they have not been very apparent. The release of detainees and the halt called to executions were both dramatic and popular moves, but have hardly led to an improvement in the general lot of the black population.

Disbandment of the hated protected villages where many rural blacks are made to live under military observation is one important move being sought by the nationalist parties in the Government. This is likely to be strongly opposed by the military command. The fact that military censors can suppress the political statements of members of the Government would suggest that the politicians are unlikely to get their way in questions of security.

As for the urban black population, clear moves to abolish racial discrimination are probably needed to convince them that the settlement will lead to a genuine transfer of power. Although the Land Tenure Act is widely expected to be scrapped, no mention of it was made in the State President's speech at the opening of parliament. Advocates of caution argue it is not something which can be done by a stroke of the pen since there are 57 related Acts to be amended. Their opponents maintain that it will happen once a black government is in power, so that it would be better to scrap the Act now and claim the credit. So far the cautious counsellors are in the ascendant.

It is to this situation of virtual stalemate that Mr. John Graham and Mr. Stephen Low, the joint Anglo-American roving negotiators, have returned to Salisbury. To some extent they may take heart from it. The Anglo-American strategy seems to be to keep open the option of an all-party conference, in the hope that the mounting problems of the interim Government will force its members to fall back on that solution, rather than pressing on unilaterally. The drawback is that in the meantime the confidence, and therefore the demands, of Mr. Nkomo and Mr. Mugabe of the Patriotic Front are growing. Mr. Nkomo has declared that it is too late for all-party talks. Mr. Mugabe insists that the entire interim Government should be allowed to attend only as members of the British delegation in two-way talks between Britain and the Patriotic Front.

Mr. Smith seems to be the member of the interim Government most receptive to the idea of a renewed conference. He has admitted that it is a weakness of the regime that it has no strong representation of the Matabele tribe, which overwhelmingly supports Mr. Nkomo. However much he may have believed originally that Bishop Muzorewa and Mr. Sithole could stop the war, he must doubt that now. But Mr. Smith is locked into the internal settlement, together with his black partners.

Bishop Muzorewa argues that any agreement to reopen negotiations that include the

Rev. Sithole

Patriotic Front would be a reflection on his integrity. More pertinently, it would be seen as an admission of weakness. Thus acceptance of the conference could be an electoral death blow. Mr. Smith is unlikely to want to sacrifice his current partners, moderate as they are, simply to get Mr Nkomo into his Government. He certainly does not want to bring in Mr. Nkomo's partner, Mr. Mugabe.

What will happen to the internal settlement if its signatories press on without a conference? Plans for elections are advanced. But they will be strange elections. Because of the need to hold them before the promised date of majority rule on December 31, they will be conducted on the party list system, rather than by constituencies, which would have to be drawn up from scratch. Senior Government sources now indicate that there will be no registration process either, because registration teams could become the targets of guerrillas seeking to disrupt the process. A system will have to be devised of proving that voters are over 18 and Rhodesian citizens, combined with some way of dipping their thumbs in indelible ink to prevent them voting twice.

The threat by the guerrilla forces to disrupt the election means that soldiers will have to protect polling stations, leaving the Salisbury Government open to a charge of intimidation. The chances of such an election appearing free and fair are decidedly small.

The relatively heavily populated urban areas and white farming areas would probably be able to vote without serious disruption. Members of Bishop Muzorewa's United African National Council — still by far the most likely winner of an election — hope for a poll of at least 60 per cent. If there is no de-escalation of the war, independent observers are more sceptical, doubting whether half of the estimated 3.5m voters will turn out. Even then, defenders of the internal settlement argue, a black government will be installed. They say it could press ahead with legislation, unfettered by the consensus requirement of the transitional Government, to such an extent that support for the guerrillas will finally dwindle.

One notable flaw in that argument is that the process is extremely unlikely to produce a strong Government with an absolute majority. The party list system of proportional representation will allow minorities such as ZUPO, led by the third black partners in the Government, Chief Chirau, and Mr. Sithole's branch of ZANU a much larger showing than the constituency system, and the existence of a block of 28 whites, likely to be solidly Rhodesian Front, means that Bishop Muzorewa, to gain an absolute majority, must win 51 seats of the 72 available to him. That requires more than 70 per cent of the votes, which few believe he can win.

Three interrelated events could yet force the transitional Government back to the conference table: a serious intensification of the guerrilla war, a further sharp decline of the economy, or a collapse of white morale, leading to a renewed exodus and a refusal of whites to fight in the security forces. The nearer December 31 approaches, the less inclined many whites will be to lay down their lives for a black Zimbabwe. The state of the economy is already critical, and nothing

Mr. Smith

short of a cessation of hostilities and lifting of sanctions is likely to revive it. There are also clear signs of an intensification of the war, with the ZIPRA forces supporting Mr. Nkomo stepping up their activity in the north and west. Although still representing only a fraction of the numbers in Zambian training camps, they are credited with much greater efficiency and effectiveness than their ZANLA counterparts based in Mozambique.

For all its weakness, the internal settlement would still seem to have achieved one absolute prerequisite for majority rule: that, however much some whites may still believe that a "no" vote in the forthcoming referendum could turn the clock back, the process is actually irrevocable. White morale is incapable of returning to its former level. Although the number of whites who have accepted the full implications of majority rule is pitifully small, they can only delay the process, not reverse it.

Mr. Graham and Mr. Low are no doubt emphasising that the longer Mr. Smith and his colleagues postpone negotiation, the weaker their position will be. Increasingly, observers are sceptical that the interim Government will prove capable of the sort of changes needed to win black support, rather than concentrating on maintaining white morale. If it postpones them much longer, any conference it attends could be a capitulation, rather than a place of negotiation.

MEN AND MATTERS

Third man in oil row

The multinational oil companies must be scratching their heads over the curious combination of forces lined up against them over their alleged sanctions-busting in Rhodesia. Both President Kenneth Kaunda of Zambia and Tiny Rowland of Lonrho are threatening legal actions against the companies. They have been joined by Jorge Jardim, the former Portuguese minister, who has published a book in Lisbon that claims to "tell all." Jardim's motives are startlingly different: he says he wants to vindicate Salazar, whose adviser he once was, by showing that Portugal's dictator followed a consistent, even-handed policy after Smith's UDI.

Jardim has been in London, giving evidence to Thomas Bingham, QC, who was officially appointed last year to look into the allegations against the oil companies. He leaves tomorrow, and while here has been in regular touch with Rowland, whom he first met in the fifties.

Fine balance

When talking of his three-part Thames TV series on Palestine, Richard Broad expresses modest hopes of presenting "vaguely something called truth," but puts his emphasis on making a "contribution to debate." Certainly, the debate has been raging since there were separate showings of the final part of the series last week for the Arabs, the Israelis and "the rest."

Since then Thames has received a number of letters calling for changes, in particular from Arab ambassadors. The Council for the Advancement of Arab-British Understanding found the film pro-Israel. In particular it objected to the narrator's comment that in 1948 the armies of five Arab states "invaded" the state of Israel.

CAABU wanted a formulation talking of the "occupation of the area allocated to the Arabs." But Broad told me the changes made were "extremely small points of emphasis" and largely for reasons of style. He insisted that all changes had been made at his instigation and reflected the feelings of the production team. He also said they had all been referred to two advisers—Martin Gilbert, the official biographer of Churchill, and Elizabeth Monroe, Emeritus Fellow of St. Antony's, Oxford. Last night, just before the first part of the series went out, Monroe told me that she and Gilbert—after copies of the comments on the last part had "poured in"—had after "long conversations" agreed the final text. But even if she and Gilbert have been able to agree, Thames are the last to expect all viewers also to do so.

"I'm afraid it's the yen, sir—it keeps rising with the sun!"

Mop at the top

Robert C. T. James claims to be the only member of the Institute of Directors whose fulltime work is cleaning public lavatories. "I hope my job does not disqualify me," he said yesterday. "After all, the Institute is such a usefull pied-a-terre when one is up in London." It is not, of course, that James was always cleaning lavatories: until a few months ago he was a director of the British company of A. C. Nielsen, the international market research organisation.

This is no hardluck tale of a redundant executive. James sees the change from handling accounts of clients such as Beechams and Wilkinson's Sword to wielding a bucket and mop as entirely to his taste. It occurred when he took early retirement from Nielsen's last November and moved to Newgale in southwest Wales. He decided to look for a job to supplement his pension, but the first applications ended in failure. "Jobs are few and far between in Pembrokeshire," he says. "I am 60, and obviously younger men should have priority."

So when James (educated at St. Edmund Hall, Oxford) saw an advertisement in the local paper for a lavatory cleaner at £1.07 an hour he knew he had found the answer. "I had rather an amusing interview with an official of the Perselly district council," he told me. "But I got the job."

I ventured to ask Nielsen's erstwhile Board member whether he found the work aesthetically disagreeable. "Not in the least," he said. "I feel I am doing something for the community."

Life saver

Some of Ronald Peet's senior colleagues at Legal and General Assurance may be breathing a sigh of relief that he yesterday became chairman of the British Insurance Association. It could be that he will be too busy in the coming year to bustle them into joining his yearly jaunt to an adventure school in the wilds of Sutherland. In Peet's view, nothing is better for the tired businessman than going on dawn hikes with John Ridgway, who rowed the Atlantic with Chay Blyth. Climbing mountains and living hard "put your problems in perspective," says Peet, who is 52. Perhaps Peet acquired a fondness for rough relaxation while in Australia, where he spent 14 years working for Legal and General. Lest I imply that he is incorrigibly hearty, Peet is also a director of the Royal Philharmonic.

Dick's chicks

Transylvania, land of Vlad the Impaler and sundry vampires, is not the most likely place to meet a bus-load of fresh-faced American students. In times past, the great Count Dracula would certainly have disposed of the likes of them. But these Americans told a colleague who crossed their path that they were not mere tourists, but admirers of that contemporary demon, Richard Nixon.

It was, explained one Californian, "in the nature of a nostalgia trip," re-tracing the historic path blazed by the former President when he visited Romania in 1969. Their next stop was Moscow. The terminus, presumably, was San Clemente.

Observer

FINANCIAL TIMES SURVEY
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Brazilian Banking and Insurance

From the outset Brazil's military rulers have relied heavily on the financial community to help solve the country's economic and allied problems. Resultant success, including Brazil's high rating abroad, augurs well for the future.

Honoured place in the land

By Hugh O'Shaughnessy
Latin American Editor

SINCE 1964 and the military coup d'etat Brazil has been a country where the businessman has had an honoured place in society—and the businessmen with the most honoured place of all have been the bankers.

The authoritative Sao Paulo business journal *Exame* recently commented: "The institutions which make up the financial system have in the past years lived through a period of exciting euphoria. Every part of the system, from the commercial banks with their multiple branches to the small share traders on the whole obtained mouthwatering profits—and the exceptions, even those which obtained Government help, came about because of very bad management rather than bad conditions for business."

When the military took over the government Brazil was moving towards hyper-inflation. The generals sought the best orthodox advice they could find to help them get inflation under control once again. From the very beginning therefore the banking community had the ear of the military and were able to influence the shaping of economic policies even more effectively than in the time of civilian rule.

As the country wound itself up for its spectacular growth in the late 1960s and early 1970s the well entrenched bankers were able to take the maximum advantage of the fact that next to administrative experience capital is the second scarcest commodity in a developing country. And what went for domestic bankers also went for the international banks. Brazil needed money and seemed to offer security, so the international lenders came in their droves.

As the shine came off the economies of the developed world and the demand for bankers' funds slackened in the industrialised West, Brazil became an even more attractive proposition. Banks scrambled to establish a physical presence in Brazil, and there emerged a powerful group of financial men, Brazilian and foreign, who were able to lobby most effectively for the policies they thought were most fitting for Brazil to follow.

Many of those in positions of the greatest influence—like the successive finance ministers, Dr. Roberto Campos, now Ambassador in London, Professor Delfim Netto and the present incumbent Sr. Mario Henrique Simonsen—all had close links with the banking sector. What was true of them was also true of many other figures in public life.

Support

In the U.S. the Rockefeller family and Mr. David Rockefeller in particular gave a firm and powerful support to the Brazilian Government and its chosen path of development but that family again was but one of numerous U.S. and European banking figures who threw their weight behind what the military were doing in Brazil.

The interpenetration of financial interests with the Government has undoubtedly been one of the most significant factors in the shaping of Brazilian government policy from 1964 to the present. The depth of the continuing commitment of the banks to politics was illustrated early this month in an ironic manner when one large Sao Paulo bank had rapidly to withdraw an internal circular which effusively welcomed the election of Sr. Laudo Natel as prospective government candidate for the governorship of the State of Sao Paulo after he had been surprisingly beaten by a rival outsider.

The result of this close identification of the financial sector with government is patent. The profitability of the banks is in general higher than that of the rest of Brazilian business: the financial systems working in the market are more sophisticated than those of any other country in Latin America: bank branches are ubiquitous in the cities and widely spread too in the countryside. Banks and finance houses maintain a constant stream of invitations to the consumer to buy on credit which in the consumer societies of the big cities are taken up with some enthusiasm.

But since the limit on lending rates was raised at the end of 1975 industry has been complaining of the increasing cost of loans and the difficulty of finding them in the first place.

While the nominal rate for bank lending is between 2.5 and 2.7 per cent a month, the conditions demanded by banks in exchange for that basic rate make the cost of money in fact far greater. According to some industrialists the real cost of loans is much nearer and in many cases in excess of 5 per cent a month. Many borrowers felt that this sort of cost is excessive at a time when inflation is running at a rate of around 40 per cent a year.

In business circles there is some resentment about the powerful and privileged position that the banking sector has been able to carve out for itself.

There are many in Brazil who would like to reduce the privileges of the banks and also cut Brazilian dependence on foreign finance; in the swiftly changing political circumstanecs of the moment they feel they have a chance of achieving some their aims.

In the opposition party the Brazilian Democratic Movement (MDB), there are those who want purely and simply to nationalise the main private banks and achieve a situation similar to that obtaining, say, in France. They point to the need to channel more resources to agriculture and other sectors which can possibly provide more jobs for a growing population. The State they argue, is the only factor which can ensure that the resources concentrated in the cities and often used for frivolous purposes can be put to work on projects for the long-term benefit of Brazil.

They point to the record of the Banco do Brasil, in which the majority of shares are owned by the Government and which has expanded its business to become one of the largest banking institutions in the world. In doing this it has done much to bring sources of finance to the countryside and extend loans to farmers who still remain the principal pillar of Brazil's economy.

It is unlikely in the foresee-

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Banco do Brasil sets the pace

THE BANCO DO BRASIL (Bank of Brazil) the largest *bank in the country and* the seventh largest in the world, is like a huge octopus, whose tentacles have spread into many areas of the financial system. In some cases, this has occurred against the wishes of the bank's authorities and at *the insistence* of the federal Government, *which has justifiably felt that* the Banco do Brasil was the best-equipped institution to tackle a given problem in the financial system.

It is certainly a highly important commercial bank. Its president, Sr. Karlos Rischbieter, has frequently stated that he believes that his *bank—along with all other* State companies—should be profit-orientated. Yet, even here, the bank's function has not been clear-cut, for at crucial moments in the last few years, the bank has assumed the role of a "monetary authority." This has meant that, far from *merely attempting to maximise* profits, the bank has helped to establish the rules of the financial game, often defending decisions that have gone against the immediate interests of the financial sector.

On two important occasions in 1977, it was the Banco do Brasil *that negotiated with the* private commercial banks over the reduction of interest rates. Rischbeiter attempted to convince the bankers that it was *essential for the country's* economic health that inflation be reduced and, to achieve this, the cost of money had to come down. In the polemic that fol*lowed the Banco do Brasil's* decision to lower its interest rates so as to force down the market rate, the ambiguity of Sr. Rischbieter's role, as both bankers and government official, became very clear.

For several years, the bank chalked up extremely large *increases in its profit.* Last year, however, its profit of Cr$8.7bn (£300m) grew by only 33.3 per cent as compared with the result in 1976, thus even falling behind inflation which was 38.8 per cent. In a difficult economic *period, the bank's role as* "monetary authority" entailed considerable sacrifices in terms of profitability.

The bank's loan operations were worth an impressive Cr$332.7bn (£11.5bn) in 1977, *which was 49.3 per cent up on* the resources handled in 1976. Almost all of the loans (95.7 per cent) went to private companies. None the less, the bank's *share of total loans going from* the financial system to the private sector, declined slightly in 1977, falling to 45.7 per cent, as compared with 46.2 per cent in 1976. *Reference to the over*whelming proportion of the bank's loans that go towards strengthening the private sector is the bank's *standard* reply when, because of its enormous size, it is accused of leading to the gradual nationalisation of the financial system.

Strict

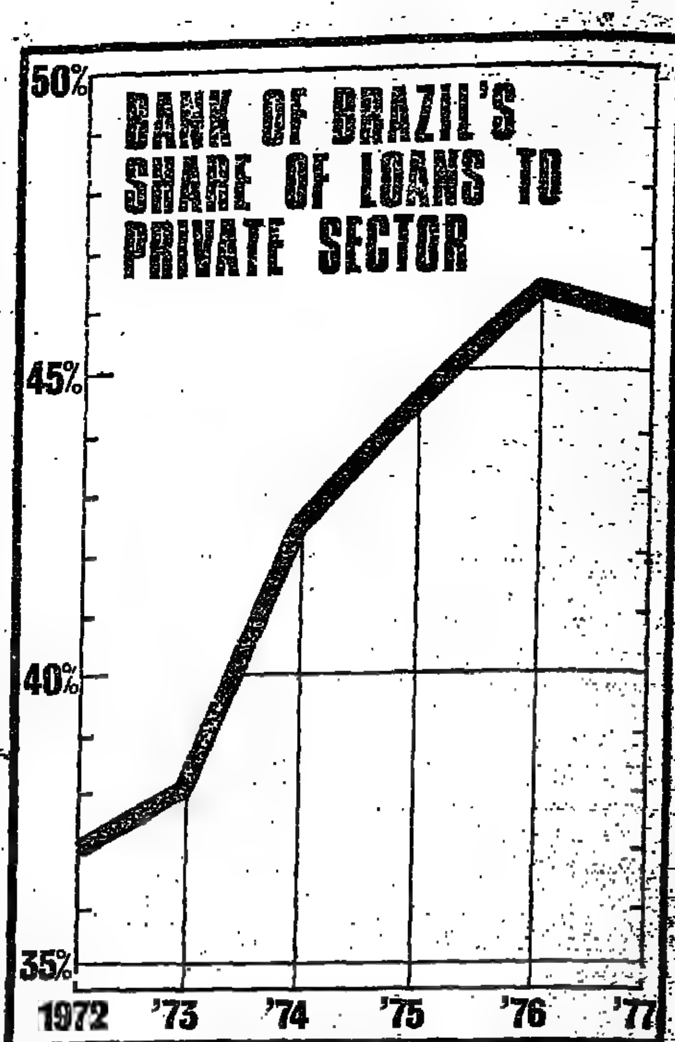
The reduction in the bank's share of loans reflects the strict control over credit that the Government has been exercising in *recent months in its efforts to* combat inflation. The bank will probably lose further ground this year, for the Government has authorised an increase of only 26.7 per cent in its loans, which will be well below the rate of inflation.

Half of the bank's loans go to the rural sector, making it the largest agricultural bank in the world. The bank's presence *in farming is of crucial import*ance, for it provides about three-quarters of all loans going to the rural sector. However, the Government is becoming increasingly dissatisfied with the country's system of rural credit. As Sr. Rischbieter *pointed out* recently, partly because of com*plicated bureaucratic* procedures, only one in five farmers has access to bank loans. As the bank's rural loans, worth Cr$171.0bn (£5.9bn), amounted last year to 68 per cent of the country's total agricultural product, estimated at *Cr$250bn* (£8.6bn), this clearly means that *the system* is operating in an extremely inefficient fashion. At best, the farmers receiving loans are producing in agricultural product just *half* the value of the loans that they are receiving. As Sr. Rischbieter, himself, has pointed out on various occasions, the extremely attrac*tive* interest rates on Brazil's remarkable money market, now running at around 60 per cent per annum, are leading many farmers to misdirect "rural" *loans,* on which they can be paying as little as 7 per cent per *annum, without* indexation. In an important speech at the Higher War College towards the end of May, Sr. Rischbieter spoke of the pressing need for "*immediate changes*" in the system.

The Banco do Brasil also acts to some extent as a development bank. It now has 1,322 *branches all over Brazil.* Some of the branches in backward, rural areas are not profitable. The bank explained in its 1977 annual report that the principal consideration is not economic: "When deciding *whether or not to open a new* branch, the criteria adopted by the bank have been basically to benefit those areas which most require financial assistance. Social aspects have been the main factor. It is thus true, that the *bank frequently over*rules the purely economic *consideration of whether or not* a certain branch will provide *profit.*"

The Banco do Brasil has yet another function which is referred to by Sr. Luis Asumpçao Queiroz Guimrães, financial director of Banco Itaú, a leading Brazilian bank: "The Banco do Brasil is more of a Central Bank than the Banco *Central itself. It is also* a development, a commercial *bank and, lately, a* large holding company that is pouring money into companies, many of them commercial flops, partly because loans were given to them when they did not deserve them."

The banker *is referring to* the dozen or so companies that have been "rescued" by the bank. It is estimated that at least Cr$4bn (£138m) was *originally supplied to these* companies as loans and is now, to a large extent, being converted into share capital. One well-known case is the pulp *mill, Riocell,* which was taken over from Norwegian Borregaard by a military pension fund several years ago and which obtained an emergency loan of Cr$400m (£13.8m).



Another case is Asa Aluminio Extrusao, in which the bank has an investment of Cr$1.7bn *(£58.6m) in the share capital.*

These operations have been widely criticised in the Brazilian Press. Even Rischbieter has made it clear that the investments have occurred against his will, partly because he believes that his bank does not have the experience in industry to accompany a factory's development in adequate fashion.

Sue Branford
Sao Paulo Correspondent

Honoured

CONTINUED FROM PREVIOUS PAGE

able future that curbs on the banks will go as far as nationalisation. Those who favour that solution are in a minority in the MDB and the latter is still a long way from power. Nevertheless, as the *Brazilian "economic miracle"* recedes farther and farther into the past and the military government which gave the banking sector its privileges in the past *relaxes some of its con*trol on political life it seems *safe to say* that the palmiest days of the banks may well be over.

The feeling that the banks need to have their wings clipped *a little* has been reinforced by the realisation that corruption *today after 14 years of military* government is at least as bad as —and some would say worse than—it was when the civilians were in power.

Sr. Fernando Pedreira, a noted commentator, remarked in the conservative daily *O Estado de S. Paulo* earlier this month on how little public morality had improved since the coming of the military and added: "In the economic-financial area, besides inflation, a monumental external debt and an uncomfortable public debt, and a heavy tax burden that the executive increases as it sees fit, we still have scandals which *leave the old ones looking small.* Atalia, Lutfalla, Asa, Decred, Aurea, Audi and how many more?" The spectacular crashes which he referred to, some involving hundreds of millions of pounds of public money, have done nothing to improve the image of the financial sector.

Obscure

As Brazil moves into a period of political change, with the future more obscure than at any time since 1964, international interest will inevitably focus on Brazil's standing as a major borrower in the world's financial markets. If, as is most likely, the sort of military regime which has been in power since the coup d'etat gives way to a more flexible and open form of government in which the hand of the *generals* is not so *firmly* on the tiller will this have repercussions on Brazil's external borrowing policy? The answer must certainly be yes.

The military government's willingness—indeed eagerness—to contract a *huge long-term* foreign debt and thus increase its dependency on the financial institutions of the industrialised West has, as the words of Pedreira imply, not gone uncriticised. A more liberal regime will doubtless want to lessen this dependence on the external sector *if it can.* But at the same time any more liberal regime would have very little opportunity to reduce the weight of present obligations. These are heavy enough to condition the attitude of any Brazilian government to its lenders and of these lenders to the Brazilian government for a long time to come.

Big foreign debt burden to be supported

IN ABSOLUTE terms Brazil has one of the largest foreign *debt figures in the world. At* the last count, at end-1977, it was $32bn, $10bn more than two years before and about three times the level before the 1973 oil price rises.

The rate of increase of the debt has been much faster than the rate of increase in exports or of foreign currency reserves, *although these have both per*formed well enough. Exports doubled between 1973 and 1977 to $12bn. *Holdings of foreign* exchange reserves by the central bank which fell back *from $6½bn in 1973 to $3½bn* early in 1976 had risen to $6½bn by the end of that year and at *end-March last stood at $7.2bn.*

The first problem in any analysis of Brazilian debt is definitions. *More precisely, the* Brazilians include more in their debt figures than *most countries and are corres*pondingly sensitive about worries being expressed about its *size. They are at pains to point* out that the size of their debt does not look nearly so fright*ening when examined net of* foreign exchange reserves—at the last count in March the net figure stood at $24.8bn.

When making comparisons with other countries, notably Mexico, which also has an apparently high level of debt, one also has to bear in mind that the Brazilian figure includes private sector debt whereas the usually quoted Mexican figure does not. Much *of the private sector debt is* long-term investment by foreign companies in Brazilian sub*sidiaries. If this figure were to* be deleted there seems little doubt that Brazil's debt would be smaller than Mexico's.

No figures have ever been officially published on the external debt of Mexico's private sector. One recent *estimate*, by Union Bank of Switzerland, puts it at $8bn to $9bn. Such a figure would bring Mexico's overall *funded debt to some $30bn, or* net of foreign exchange reserves of *some* $1.5bn, well above the Brazilian *net figure.*

In addition to this Mexico probably has relied more on *short-term foreign financing* than has Brazil, and foreign debt figures traditionally show *only funded debt—i.e., loans* with an original maturity of at least a year.

The other *side* of this picture is that whereas Mexico is an exporter of oil and has recently had reason to multiply the size of its *oil reserves*, Brazil has so far, despite much exploration, found none. At the same time, the weather this year has again cut back the prospects for Brazil's agricul*tural production.*

Until the oil crisis Brazil's future looked fine. Like all *developing countries aiming at* rapid economic growth, it relied heavily—and of necessity—on foreign finance. *However,* its balance of payments was underpinned by a wider range of agricultural exports than in most other countries, as well as large mainly unexploited mineral wealth. *Given political* stability, it was the perfect *place for foreign investment.*

When the oil crisis hit, it was armed with large foreign currency reserves which tided *it over well in the short term.* For the long term it intensified its investment programme in order to cut back imports or build up exports to cover the increased oil deficit.

At the same time it launched *exploration programmes for oil.* The latter have yet to yield fruit. But according to bankers *recently in Brazil*, what are described as the self-sufficiency programmes are doing as well as could be expected. The pulp and paper programme, designed in 1974 to save $4.4bn of *foreign currency in the 1975-80* period, is now all but complete; fertilisers and petrochemical programmes, due to save about $800m each, are due to come on stream during the next year, the steel *programme*, projected to save the largest amount of all ($6.5bn), is about half-complete and the non-ferrous *metals programme* expected to save $1.1bn over the five-year period is about two-thirds com*plete.*

These major structural developments combined with a bonanza on coffee enabled Brazil to post a trade surplus last year.

The official estimate so far of the effect of the various climatic disasters which *have hit* Brazil in the last few months is a combined fall in exports and increase in imports of about $1.5bn. If exports of manufactures were to perform as well during the rest of the year as they have in the first quarter they would apparently go far to cover this gap. However, at best Brazil is looking towards balancing its trade accounts this year. *One cannot* expect any contribution towards debt servicing from the trade account.

According to the last public estimates — now nine months out of date — servicing the foreign debt would cost Brazil nearly $6bn this year. In practice the figure *is likely* to be higher both because of the impact of higher interest rates on floating rate loans and because of the fact that new borrowing has exceeded repayments in the past nine months. The $6bn figure shows no signs of falling in coming years.

These are hardly small figures *and with the worldwide increase* in protectionism, combined with continued recession in the in*dustrialised world*, Brazil will do well if it succeeds in covering even a significant part of its *debt-servicing* needs by means of exports in coming years, something it has come *nowhere near doing* in the recent past. The present forecast therefore must be for continued large-scale *borrowing by* Brazil to cover debt-servicing requirements, let alone any further major investments.

For a relatively developed country like Brazil with a large foreign borrowing *requirement* this mainly means tapping the commercial banks.

When the *international* financial markets became liquid again in 1976-77, Brazil was not in such a favour*able position* as it had been in the previous 1973-74 lending boom because of its earlier heavy borrowing. This meant first that it already looked in danger of being overindebted and secondly that banks' portfolios were fuller of Brazilian paper than that of almost any other country. Nonetheless the situation was undoubtedly much more favourable than during 1974 and 1975 and Brazil had to decide its priorities in at least three different areas.

First it had to decide whether *to make* maximum use of the more liquid environment and *just raise* as much foreign currency as possible while the going was good even if *it might* not be *needed in the short-term.*

Effectively, Brazil decided to go ahead and encourage *borrowing* as much as possible. This raised the spectre of sharp increases in domestic money *supply because of conversions* of foreign currency. The possibility of temporarily *freezing some* of the foreign currency inflows in the central bank was discussed and *implemented for* a short period last year. A *similar* move has been made again in the last week.

Given the decision to encourage borrowing as much as possible, Brazil could not put as much pressure as some other borrowers on the banks to improve the terms which they were prepared to lend. However, there was room for some improvement and the second *question which Brazil had to* decide with priorities was whether to concentrate on getting longer maturities or on cutting the margins the banks were charging over their own *cost of funds.*

Until recently there was no question but that Brazil concen*trated on getting longer maturi*ties. The reasons for this were first to improve the profile of Brazil's debt *structure to try* and spread repayments over as long a period as possible. This is *a point to which* Brazil has always paid more attention than many countries and to its great *benefit. Given its large foreign* debt in absolute terms a bunching of maturities could have had as disastrous an effect on Brazil as it has had on, say, Turkey and would have had on Mexico but for oil.

Another major reason for going for a lengthening of maturities rather than a cut in spreads was that in a country *like Brazil which expects* to maintain a relatively high rate of growth (even if slower than in the last decade) the longer debt repayment can be postponed the smaller a proportion of GNP it will represent.

There were *also good market* reasons for continuing to pay relatively high margins: this *policy kept the banks happy. At* a time when they were having to argue for every sixteenth of a *point with many borrowers*, the fact that Brazil was prepared to continue to pay almost un*changed rates* doubtless meant that the banks were prepared to stretch their lending ratios that much *more, and without pressing home too many* questions on the size of the debt and re*payment prospects.*

Having stretched maturities out well, Brazil is now getting *tougher on margins too.*

The third decision which Brazil had to make on its *foreign borrowing policy was* whether to follow the path of the jumbo loan where the *Government raises in its own* name the odd billion dollars or so at a go or whether to continue with the traditional policy of encouraging as many *different borrowers as possible* to tap the markets. Apparently some bankers argued that Brazil could *have raised* more at cheaper rates if the Government had borrowed in its own name.

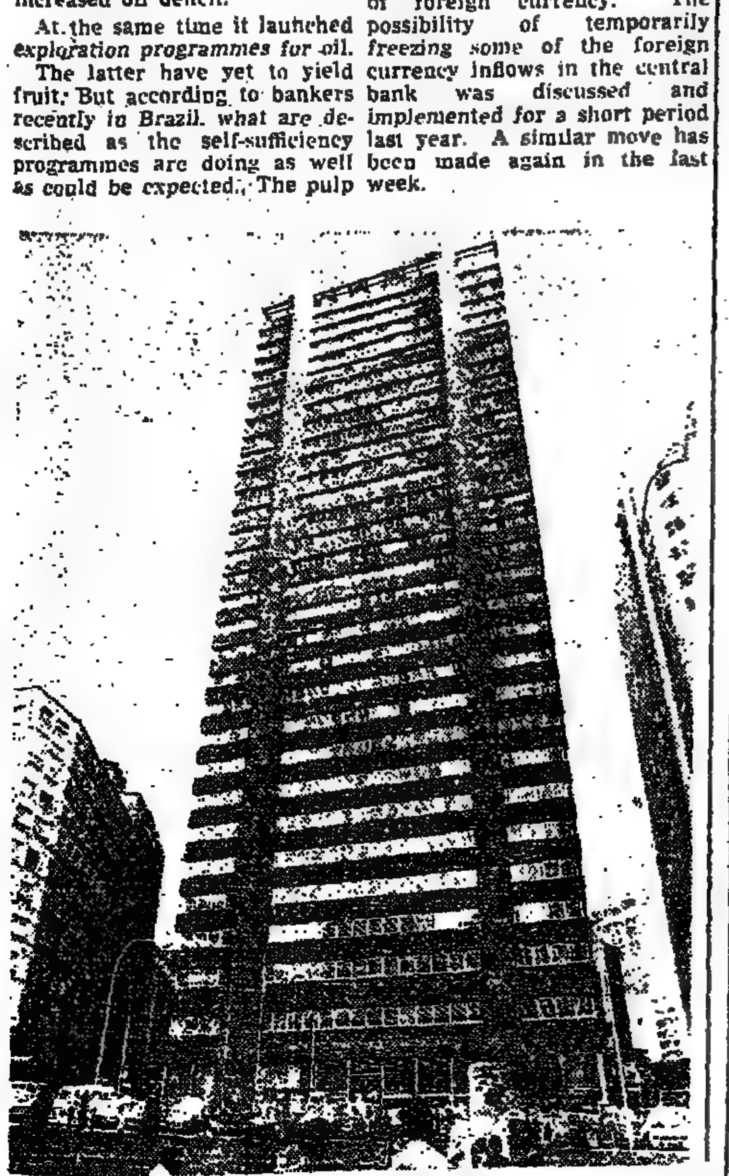
This option was rejected first because the Brazilians wanted to encourage as many borrowers *as possible to establish* their own relationships with banks and second because of the ever *stricter application of the so* called 10 per cent rule in the U.S.

Under the 10 per cent rule, U.S. banks are limited to lending 10 per cent of their capital *to any single* borrower. Given that a proportion of Government-guaranteed borrowing *counts as government borrow*ing for the purposes of the rule and given its large borrowing in absolute terms it is imperative for Brazil to have as many borrowers as possible in the field.

Brazil has used the extra cachet of the State to pave the way into the international bond *market.* But here *too the aim* is to build up other names as far as possible.

One further way in which Brazil is trying to improve its *foreign debt situation without* cutting back its access to foreign capital is to encourage foreign companies to convert loans to their Brazilian subsidiaries into equity. Fiscal incentives have been introduced to encourage this, but it is still too early to judge how successful this programme will be.

Mary Campbell


Headquarters of the Banco do Estado do Rio de Janeiro.

BRAZILIAN DEBT
(repayment schedule 1975/77)

	Total $bn	*Yr. 1	Yr. 2	Yr. 3	Yr. 4	Yr. 5	thereafter
		% of total maturing in					
September, 1975	19.8	2.7	11.4	12.9	13.8	13.5	45.8
September, 1977	30.1	5.5	15.6	17.2	16.3	12.7	32.7

* i.e. remaining three months of first year.

DEBT SERVICE RATIO*
($m)

	External debt service	Exports of goods	Debt service: % of exports
1972	2,322	3,991	58.2
1973	2,577	6,199	41.6
1974	2,595	7,951	32.6
1975	3,578	8,670	41.3
1976	4,646	10,128	45.9

* Excludes loans with original maturity of less than one year.
Source: Banco Central do Brasil.

BRAZIL'S DEBT SERVICE*
($m as of September 30, 1977)

	Public sector debt		Private sector debt		Combined debt		Total debt service
	Princ. repaymt.	Est. int. payment	Princ. repaymt.	Est. int. payment	Princ. repaymt.	Est. int. payment	
1977	667.3	387.7	994.2	301.0	1,661.5	688.7	2,350.2
1978	2,327.9	1,264.6	2,374.3	891.6	4,702.2	2,156.2	6,858.4
1979	2,841.9	1,077.4	2,340.1	705.0	5,182.0	1,782.4	6,964.4
1980	2,741.8	848.1	2,148.3	511.2	4,890.1	1,359.3	6,249.4
1981	2,025.9	621.8	1,794.8	354.7	3,820.7	976.5	4,797.2
Total 1977-81	10,604.8	4,199.6	9,651.7	2,763.5	20,256.5	6,963.1	27,219.6
1982-96	6,584.0	1,796.8	2,712.7	469.0	9,296.7	2,265.8	11,562.5
1997 and after	534.0	85.7	0.2	0.1	534.2	85.8	620.0

* Excludes loans with original maturity of less than one year.
Source: Banco Central do Brasil.

FOREIGN HOLDINGS IN INVESTMENT BANKS
(Per cent)

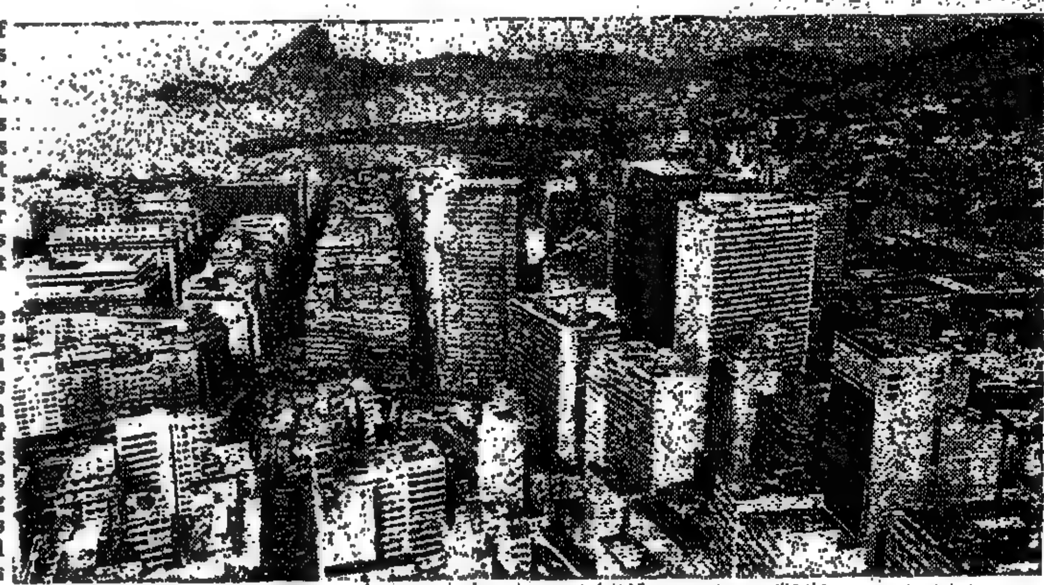
Bank	Foreign Partner	Voting Stock	Non-Voting Stock
America do Sul	Kabushiki Kaisha Fugi Ginka	30	
Aymoré	Interpar (99.99% controlled by Hollandsche Bank Unie)	99.99	
Bahia	Westdeutsche Landesbank Girozentrale	20	
BCN (Banco de Comercio Nacional)	Barclays Bank International		100
Bozzano-Simonsen	Nomura Securities Co.	5	
	Mitsui Bank	5	
	Mellon National Corp.	13	
Bradesco	Sanwa Bank	10	10
	Deutsche Bank	5	5
	Société Générale	3	3
	Amsterdam Rotterdam Bank	1	1
	Kreditanstalt Bankverein	1	1
BRASCAN Credibanco	T.O.P. (Brascan)	100	
	Irving Trust Financial Corp.	11	
	Crédit Lyonnais	2.5	
Crefisul	First National City Bank (Overseas Investments)	21	
Denasa	Security Pacific Overseas Investment	10	
Financeiro e Industrial	Banco Frances e Italiano para a America do Sul	33	17
FINASA	Morgan Guaranty International Finance Corp.	13	
	Industrial Bank of Japan	10	
	Baring Bros. and Co.	3	
	Canadian Imperial Bank of Commerce	3	
	Skandinaviska Enskilda Banken	3	
	Deutsche Sudamerikanische Bank	1	
Intercontinental	Nippon Fudosan Bank	10	
ITAU	Kyowa Bank	10	10
	Bayerische Vereinbank	5	4.99
Lar Brasileiro	Chase Manhattan Overseas Banking		56
	Deutsche Sudamerikanische Bank		10
	Ortogonal Empreendimentos (controlled by Cia Fiduciaria, Rio de Janeiro, in which Chase Manhattan holds 33%)	100	
Mercantil	Bank of Ireland	0.6	20
Nacional Brasileiro	Banque Nationale de Paris	6	
	Hambros Bank	6	
Noroeste	Chemical International Finance	33	
Safra	Trade Development Bank	5	
	Bank Credit National	0.1	
Unibanco	Dai-Ichi Kangya Bank	4.78	23.2
	Crédit Suisse	2.64	10.96
	Harris Bank Corp.	4.69	18.34
	Commerzbank A.G.	3.99	7.5
	Philadelphia International Investment	2.39	11.6

Source: Gazeta Mercantil.

Domestic banks in good shape

EXCLUDING THE Bank of Brazil, assets held by banks operating in Brazil—i.e., national and foreign commercial banks and the banks operated by the various States—have grown by 3,000 per cent in 10 years while the country's GDP has increased by 650 per cent. In 1967 the total was $41.5m; by the end of 1977 it had risen to $1.317bn.

These figures illustrate the reasonable health of a banking system that has only been rationalised for about 10 years—a process achieved through official encouragement of mergers to reduce the numbers of banks and of conglomerates in order to provide, according to official planning, structures that are strong and varied enough to withstand pressures from outside and in.



The commercial centre of Rio de Janeiro.

Brazil's highly centralised economy, where the Treasury, Central Bank (created in 1964) and the ever more powerful Bank of Brazil virtually set the pace at which commercial and investment banks, building societies and financing companies can operate, appears to be both a boon and a handicap to private bankers.

Deposit

Official attempts to regulate the money flow—thus in theory containing inflation—require commercial banks to deposit 35 per cent of their current account resources at the Central Bank each month. In November last this compulsory deposit was temporarily raised by 5 per cent, on the understanding that the excess would be repaid this spring.

The severe drought, however, and its effect on the finances of farmers, caused the Government to reroute the excess—some $500m—to emergency rural credit. It is now uncertain when it will be refunded to the banks.

There are further official restraints on commercial bank operations. Apart from the 35 per cent compulsory deposit at the Central Bank, the banks must by law lend 12 per cent of *all resources deriving* from current accounts to small- or medium-sized businesses, and 15 per cent to rural activities (farming, livestock breeding, etc.). Interest rates charged on these loans must be "symbolic," according to official policy.

Thus with 8 per cent of current account resources kept as cash in hand, only 30 per cent of this balance resources may be dispensed as the banks see fit.

In essence these restraints have led to a noticeable decline in the growth of current accounts. On the other hand they have produced a veritable boom in savings accounts, on which there are no official strangleholds, and on which interest rates were freed in 1974.

Bearing in mind that current accounts cost the banks nothing, in practice this has meant that while paying interest of between 40 and 48 per cent a year to depositors (who must keep their money in these accounts for a minimum of 180 days), banks are charging 55 or even 60 per cent for loans made out of deposit account resources, thus earning themselves a modest profit compared with previous years. Simultaneously, they are attracting individual savings the Government would prefer to see applied to the savings books, or Treasury bills and bonds, which pay interest rates of about 6 to 8 per cent a quarter and, in theory, keep money out of circulation.

There have been calls for the Government to control the interest rates on deposit accounts but so far there has been no response in this direction.

Meanwhile the Treasury's forecast that the money expansion could be held to 25 per cent in 1978 is already obsolete, with monthly rises of 3.5 per cent or more since the beginning of the year, and deposit account liquidity playing a strong part in this expansion.

The banks' liquidity has also been helped by an influx of foreign resources, now made cheaper by the lower lending rates granted to Brazil with longer periods allowed for repayment of principal.

As far as their profits are concerned, Brazilian banks enjoyed a two-year boom from 1975 to mid-1977. Now, however, apart from high interest on deposit accounts outlays are increasing through higher wages — which having gone up 51.2 per cent absorb just over 40 per cent of running costs. *Nevertheless, bankers do not* expect a "catastrophic" year in 1978, and predict a half-yearly rise in profits of about 5 per cent — the same rate as the second half of 1977.

The deliberate "de-concentration" of the Brazilian economy, shifting the emphasis away from the El Dorados of Sao Paulo and Rio de Janeiro northward, and away from large cities to small towns, is having some effect on banks.

TOP 15 DOMESTIC BANKS

	Deposits ($m)	Loans ($m)
BRADESCO	1,750	1,650
ITAU	1,160	988.5
NACIONAL	746.9	724.5
REAL	724.4	763.3
BAMERINDUS	600.0	759.1
Unibanco	598.2	637.9
Mercantil de Sao Paulo	519.4	351.6
Comind	463.1	511.0
Economico	331.6	511.5
Sul Brasileiro	267.7	381.0
Mercantil do Brasil	247.6	248.3
Noroeste	297.3	198.2
Auxiliar	214.7	280.4
Credito Nacional	205.4	233.9
Bandeirantes	203.5	304.4

Note: Conversion at Cr.17.70 to the dollar.
Source: Exame Magazine.

In 1974 only 1,881 of Brazil's 3,953 municipalities had a bank branch (and this was more likely to be the Bank of Brazil than commercial banks). Over 70 per cent of these municipalities enjoying some form of banking service were in the prosperous South or South-East, only 26 per cent in the north-east. Now, however, banks are opening branches throughout the country, following the drift of major or minor industry and commerce slowly northward.

Meanwhile, Brazil's major banks, like Bradesco, Banco Itau, Banco Real and Unibanco have become major financial conglomerates. Bradesco is both the largest commercial bank and largest investment bank in the country; the other majors also own investment banks — institutions which also pay high interest on deposit accounts and lend at even higher rates.

Like many other banks these majors also own finance companies which deal in consumer

CONTINUED ON NEXT PAGE

Channelling funds to the regions

THE NATIONAL Economic Development Bank (BNDE) and the 23 regional or State institutions that channel "investment with guidance" into Brazil's heterogeneous local areas see themselves as part-financial, part-instructional bodies attacking shortcomings and obsolete business thinking at grassroots level.

The long-term target of Brazil's Government planners is growth: the BNDE, regional and State development or mixed commercial-development banks aim at making this growth rational, adjusted to the needs and potential of each State or region. The pattern generally has been first to pump massive investment into essential infrastructure services (electricity, sanitation, roads, storage facilities, etc.) and then to fund large farming or industrial projects (depending on the characteristics of each area) which in turn draws in smaller spin-off industries. Current emphasis in the more developed States is on stimulating the efficiency and yield of small- and medium-sized businesses.

The growth in funds passed through the development bank system in the past 25 years mirrors the expansion of Brazil's economy.

In the five years between 1952 (when BNDE was founded and 1957 $819m were applied to development projects. Between 1962 (when the first State development banks were formed) and 1967 applications rose to $1.4bn. Despite the traumas of the oil crisis, no less than $17.4bn was applied by the system between 1973 and 1977 (with $5.5bn lent in 1977 and $3.5bn in 1976). Of last year's applications 79 per cent went to the private sector and 21 per cent to the public sector.

The essence of the development banks' philosophy is summed up by Sr. Luiz Fayet, president of the Association of Development Banks (and president of the Paraná State Development Bank): "Funds," he insists, "matter less than human resources."

DEVELOPMENT BANKS

GROWTH OF LOANS (per cent 1977)

Santa Catarina (BADESC)	143.7
Rio Grande do Sul (BADESUL)	121.1
Rio de Janeiro (BD—Rio)	66.7
Bahia (DESENBANCO)	48.4
Ceará (BANDECE)	30.5
Minas Gerais (BDMG)	22.8
Nac. de Desenv. Econ. (BNDE)	21.0
Sao Paulo (BADESP)	20.7
Nordeste (BNB)	7.2
Reg. de Desenv. do Extremo Sul (BRDE)	6.5

GROWTH OF PROFITS (per cent 1977)

Rio de Janeiro (BD—Rio)	109.9
Espirito Santo (BANDES)	104.5
Santa Catarina (BADESC)	46.7
Reg. de Desenv. do Extremo Sul (BRDE)	31.1
Nordeste (BNB)	24.4
Minas Gerais (BDMG)	18.5
Ceará (BANDECE)	−1.7
Paraná (BADEP)	−6.0
Sao Paulo (BADESP)	−7.6
Bahia (DESENBANCO)	−14.2

RETURN ON ASSETS (per cent)

Nordeste (BNB)	36.4
Nac. de Desenv. Econ. (BNDE)	22.5
Minas Gerais (BDMG)	22.4
Reg. de Desenv. do Extremo Sul (BRDE)	22.2
Sao Paulo (BADESP)	22.0
Paraná (BADEP)	21.9
Bahia (DESENBANCO)	19.2
Espirito Santo (BANDES)	18.7
Rio de Janeiro (BD—Rio)	15.1
Santa Catarina (BADESC)	10.9

OPERATING PROFIT (per cent pre-tax on loans and financing)

Nordeste (BNB)	7.5
Nac. de Desenv. Econ. (BNDE)	7.3
Paraná (BADEP)	6.0
Rio de Janeiro (BD—Rio)	4.2
Minas Gerais (BDMG)	3.5
Bahia (DESEMBANCO)	3.1
Sao Paulo (BADESP)	2.7
Reg. de Desenv. do Extremo Sul (BRDE)	2.4
Espirito Santo (BANDES)	2.0
Santa Catarina (BADESC)	1.4

Applied

The loans, at subsidised interest rates, applied by the development bank system to private enterprise call for projects that are thought through in terms of costing, number of jobs, potential markets, expansion, technology and other essential factors. This means in practice that the development banks are trail-blazers; their clients are often inclined to think more of immediate results, drawing what credit they need for current operations and unversed in long-range planning.

According to Sr. Fayet, many small or medium businesses come to the development banks for loans and when confronted with the stage-by-stage charts and requirements used by the banks to define credit-worthy projects admit that they have not given thorough study to their needs or potential. After that, with the banks' guidance, they work out detailed proposals.

The development banks' training ambitions are channelled through two schemes—CEAG, which provides training courses for small and medium businesses as a whole, and CEBRAE, which caters for small or medium companies with clear export potential.

The CEBRAE programme is run by experts who have themselves received intensive training by the development bank system (which may also call in outside experts). They, like the CEAG trainees, are drilled in basic management methods, costing, stock control, quality control methods and personel magement. CEBRAE also provides an exhaustive range of reports on world markets and guidance in how to penetrate these markets, information on tax and financial export incentives, help in exhibiting at international trade fairs, and advice on how to form export pools or consortia based on Italian models.

Last year 518 small or medium companies were registered for the CEBRAE scheme, and thousands of "study hours" of courses, seminars and round table discussions were held.

Both programmes, on the development banks own admission, have an uphill climb, since they demand revised thinking, willingness to spend time on market research and money on business trips that may not yield immediate results, and courage in facing tough competition from exporters of other more industrially organised countries. Nevertheless, the experts feel that the seeds of organisation that thy have tried to plant are beginning to bear fruit, and are leading to diversification of Brazilian exports.

The development banks have other special programmes geared to prising small or medium businesses from their current rut of heavy indebtedness and meagre investment caused on the one hand by inflation and thin markets in some sectors and on the other by reluctance to take risks.

Through loan programmes offering financial aid to shareholders, the development banks hope that small companies will increase their capital by new issues and that a growing number of enterprises will be induced to offer their shares on the Brazilian stock markets, thus not only benefiting themselves but also widening the variety of markets.

Response to these programmes has not been as enthusiastic as the development banks had hoped—and only a small part of the funds allocated has been taken up. The element of uncertainty (but not financial risk, since the shareholder loans have subsidised interest rates and a five-year term) appears to discourage both individuals and the investment banks operating the programme in conjunction with the development banks.

Overall the 1977 performance of the BNDE and its regional or State agencies reflects the national drive to increase output of metals and other basic materials, and also of capital goods so as gradually to replace imports, combined with greater emphasis on the poorer, long-neglected areas of the North and North-East. Last year 36 per cent of the applications funded basic products, with steel, chemicals and petrochemicals, pulp and paper receiving the lion's share—$341.5m, £274.8m and $142.5m respectively. Another 35 per cent of total applications went to capital goods.

Regional applications illustrate the shifting balance of priorities. The North-East received $488m (38 per cent of all funds) for industry, trade and services—a 62 per cent increase compared with 1976.

The development banks make no secret of their determination to shift industry and business away from the "privileged" and over-developed areas of São Paulo and Rio de Janeiro northwards, first by funding infrastructures as they did in the south between 10 and 20 years ago, then major projects like the north-eastern petrochemical complex, then by stimulating smaller enterprises.

This policy includes creating specific industrial districts and attracting development away from major urban centres to the interior of the States. In 1977 over 49 per cent of applications were geared to the interior.

The development banks, especially those in the less favoured States, would like greater decision-making autonomy for themselves, and greater speed in receiving funds from the federal institutions on which they depend. They indicate that their intimate knowledge of local problems is not always reflected in centralised priorities worked out in Brasilia. Furthermore, with the current war on inflation squeezing credit, the development banks have had to grappled with slow-moving reduced funds.

Abroad

Recently the BNDE and its agents have supplemented the funds received from federal bodies like the Federal Savings Bank, National Housing Bank—as well as their share of social security funds or issues of deposit certificates — with resources raised abroad. (BNDE is opening an office in London, its first overseas.)

Foreign funds accounted for 20 per cent of 1977 resources (totalling over $3bn). Two bond issues led by West Germany's Commerzbank raised $50m and DM100m respectively, and $250m was raised through syndicated loans led by the first Chicago Bank, Bank of Japan, Bank of Tokyo and Bank of Montreal.

With 4,000 technicians working in the development bank system and 1,500 concentrating on the CEBRAE programme, the emphasis is on improving both the financial structure and quality of Brazilian enterprises—"shaking up mangement from top to bottom," as Sr. Fayet puts it.

The development bank officials hope that with their drive to teach organisation and forward thinking they can prevent timidity, lethargy and pessimism showing themselves in bad times and unrealistic expectations in good times. They believe that they have the necessary flexibility, not to say agression to bring about radical change in the attitudes of entrepreneurs so long as they meet with satisfactory response from their clients.

Diana Smith
Rio de Janeiro Correspondent

Domestic

CONTINUED FROM PREVIOUS PAGE

credit. Automobile manufacturers like Volkswagen, General Motors and Ford also own finance companies.

Furthermore, after initial hesitation when the Government instituted the savings book system in 1976 to provide financing for housing — a system operated principally by the Government-owned National Housing Bank (BNH) and Federal Savings Bank (CEF) — commercial banks have now purchased charters allowing them to operate as property credit companies.

The conglomerates also handle stock, share and bond operations, separately from commercial bank operations, at a high profit. They are involved in insurance companies as shareholders, and in leasing companies (vehicles, industrial equipment and data processing equipment, especially).

This complex network of activities has brought protests from smaller institutions not in a position to spread their financial net over such a large field that a financial oligarchy is being created, as potentially overwhelming as the steady march of the federal Government into growing areas of industrial activity (Brazil has the largest publicly owned productive sector of any country outside the Comecon countries).

Mergers and incorporations have reduced the number of Brazilian commercial banks from 92 in 1972 to 66 today; and while still far behind those of the large U.S. banks, Brazilian deposits (excluding the Bank of Brazil) are swelling.

At the end of 1977 Bradesco held $1.75bn in deposits and had lent $1.65bn; Banco Itau (number two ranking bank) $1.16bn and $988m, respectively. Further down the scale the No. 29 and 30 ranking, Banco Mercantil de Descontos and Banco Espansão, held $47m and $39.6m respectively in deposits and had loaned $57.3m and $59.3m.

Brazilian businessmen are heavily in debt to the banks, and have been so for several years, to a point where new investment is seriously hampered. Rising interest rates on loans have inevitably contributed to business headaches brought on by the past 5 years' upsurge in raw material and equipment costs.

Meanwhile, although the variety and sophistication of services offered by Brazilian commercial banks has proliferated, the speed of the system is often checked by an excess of bureaucracy — not just in paperwork but also in the number of people and departments through which a transaction must be processed before it comes to fruition.

The banks lay heavy stress in their massive television advertising, on the personal aspects and simplicity of their services but in the major cities where their interests and impressive headquarters or branches are concentrated the impression often lingers that the system is introspective and prone to multiply itself excessively rather than give the most economic service possible to the customer. Despite Brazil's population growth, there may still be too many banks for its needs.

Diana Smith

Insurance follows controlled path

THE INSURANCE industry in Brazil, though small by the standards of the major industrialised nations, is nevertheless *quite important to the economy* of the country. It has been in existence for many decades but has taken the Government-controlled route to development instead of the free enterprise system that has established itself in, for example, the UK. *Consequently it is a* regulated market with control exercised at the top by Government authority, but with the insurance companies themselves predominantly privately owned.

The industry is superintended by a body known as SUSEP which is responsible to the Ministry of Commerce and Industry. This is a fiscal body which regulates insurance companies in a very close manner covering almost all aspects of their operations.

It will fix the amount of registered capital of the company. It will then lay down technical limits under which insurance companies can operate and will control the size of risk for a particular class of business which can be retained within the company. These limits are determined by *very precise formulae* and do not provide much flexibility of operation. The whole system of determining these limits is complex but the aim is to ensure that the insurance company never extends itself in the risks undertaken, and that the latter are well within the claim-settling capacity of the individual company.

Surprising

The formula is the same for each company and does not take into account the *class of risk*. It may seem surprising that the same limits apply to, say, a first-class firm risk as that which is regarded as potentially very hazardous. But it does make reinsurance by the IRB easy.

The IRB is the Government controlled reinsurance company which plays a very dominant role in the running of the country's insurance industry. All risks above the limits laid down have to be reinsured automatically with the IRB. By applying thet same limits to all risks the IRB automatically avoids selection against it by the insurance companies. Under less controlled methods companies would keep a higher proportion of the better risks than the poorer.

The insurance industry operates on a complete system of tariffs which are fixed by SUSEB for most classes of business and companies are obliged to follow. They have legal force and companies failing to adopt them are liable to penalties. There are inspectors who examine regularly the books of companies to ensure compliance. SUSEB in every case has to approve the policy wordings.

The level of technical reserves to be held is again calculated according to a set *formula. Companies have to* calculate reserves once a month and change the investment pattern to meet changes in reserve levels every quarter.

The companies hav e to submit quarterly returns, the form of which is laid down very rigidly. But surprisingly enough, there is a fair degree of flexibility in the investment policy of insurance companies. Here the Government operates its controls on reasonable lines and companies have a certain degree of freedom. Investment policy will be determined to a large extent by the method of calculating reserves. These will need to be at least part covered by approved Government bonds.

But companies are free to invest in property and to a certain extent in equities. The Government lays down what *proportion of the value can be* set against liabilities. For example, if the company owns its head office and uses it completely for its own purpose then it can set off 100 per cent of the value. But if it rents out part of the building to others then it can only put 50 per cent of the value against liabilities.

The settlement of large claims is controlled closely by the IRB. Companies can settle claims up to double the technical limits without reference to the IRB; otherwise the IRB is involved.

Thus the size of the insurance companies becomes very important and the large companies have an in-built advantage so far as insurance brokers are concerned. The large companies can settle claims at a much higher level than the smaller and thus have more freedom of action. This factor is very important to insurance brokers operating in Brazil who will tend to place risks with companies that can settle claims without going to the IRB.

All risks in Brazil have to be insured with insurers registered in Brazil and all reinsurance has to be offeed to the IRB. Insurance companies are not allowed to be controlled by foreign capital. For general business not more than one-third of capital is allowed to be *owned outside Brazil, while for* life business no foreign capital is permitted.

Life business in Brazil is not comparable to that in Britain or the U.S. The continued high rate of inflation makes long-term savings a hazardous proposition. Very little individual life business is transacted and most comes through group life schemes arranged by employers under which terms are renewed each year.

The driving force behind the insurance operations in Brazil *comes* from the IRB. The industry has established certain committees jointly with the IRB that make recommendations to SUSEP on rates and conditions. Although they need the approval of SUSEP to become operational, in many cases this is forthcoming. So the ideas for change and development come from the industry in many cases, but on an industry basis and within the control framework. There is also the Federation of Insurance Companies (FUNENSEG) which advises on insurance policy and at the other end there is CNSP, the national insurance council, a ministerial committee.

The policy of the Government has been to retain as much of the insurance risks as possible within the country in order to reduce the outflow of foreign currency. These aims have been particularly successful in raising the capacity of the industry. In the first instance all reinsurance goes to the IRB. The excess risk is then channelled back to the companies through a reinsurance pool which the companies have to accept without question.

Offsets

Then *IRB* has reinsurance treaty arrangements with other world insurance centres and offsets outflow by accepting reinsurance from the rest of the world. One particular case with a Lloyd's syndicate has received world headlines. Finally, the insurance industry has a facility from the Government to buy guaranteed cover from the Treasury. By such means Brazil can underwrite a risk up to $40m internally, a high retention level.

The experience of the insurance industry has been relatively good. Brazil is not subject to extreme natural hazards like earthquakes or severe hurricanes. As the offshore oil industry develops considerable growth in insurance can be expected to follow in its wake. The UK insurance brokers are now becoming increasingly active in this country through local associates. *Prospects look good.*

Eric Short

THE TOP 20 COMPANIES

(By premium income—$m)

Sul America Terrestres	120.6
Internacional	106.2
Itau	77.4
Sul America Vida	72.7
Atlantica	72.5
Bandeirante	69.0
Brasil	56.6
Nacional	54.2
Bamerindus	43.5
Minas-Brasil	40.7
Porto Segaro	38.3
Paulista	36.9
Uniao	35.4
Aliança da Bahia	34.5
Boavista Vida	31.5
Generali do Brasil	30.8
Ajax	30.1
Yorkshire-Corcovado	27.5
Comind	27.4
Vera Cruz	25.1

Note: Conversion at Cr. 17.70 to the dollar.

Source: Exame Magazine.

GROWTH OF PREMIUMS 1977

(The 10 leaders—per cent)

Internacional	71.2
Bandeirante	47.9
Vera Cruz	33.3
Boavista Vida	31.5
Bamerindus	26.0
Aliança da Bahaia	24.6
Atlantica	22.5
Comind	20.9
Minas-Brasil	16.4
Porto Seguro	15.4

RETURN ON ASSETS

(The 10 leaders—per cent)

Ajax	63.5
Comind	60.2
Boavista Vida	54.3
Atlantica	54.0
Uniao	53.5
Yorkshire-Corcovado	48.9
Sul America Terrestres	48.3
Brasil	46.0
Paulista	44.1
Bandeirante	41.6

Source: Exame Magazine.

CLAIMS/PREMIUMS RATIOS

(The 10 lowest—per cent)

Comind	25.9
Nacional	27.7
Aliança de Bahia	28.3
Bamerindus	28.5
Vera Cruz	30.4
Uniao	32.8
Minas-Brasil	33.7
Generali do Brasil	33.8
Boavista Vida	33.9
Brasil	35.1

Source: Exame Magazine.

Reinsurance likewise

BRAZIL'S REINSURANCE community has attracted an unprecedented amount of attention in recent months. Unfortunately this has been the result not so much of important development's within Brazil's own reinsurance markets but of a long-running and controversial dispute betwee its national reinsurance group, Instituto de Resseguros do Brasil (IRB), and a Lloyd's syndicate headed by Mr. F. H. Sasse.

But IRB is something more than a character in the protracted Sasse drama. It is the sixth largest reinsurance company in the world. At December 31 last its fixed and investment assets were over £200m, and capital and reserves over £82m. Its share capital is owned 50 per cent by the individual *insurance companies and 50 per* cent by the Brazilian Government, which guarantees IRB's reinsurance operations both in Brazil and abroad.

It is one of three bodies which exercise important controls within the Brazilian insurance community, which has been described as the most disciplined market in the world.

IRB's responsibilities not only include the acceptance and arranging of reinsurances. It is responsible for the fixing of operating limits of insurance within the Brazilian market. It also authorities claims settlements above certain technical limits, again fixed by the IRB, and controls and handles all operations overseas, or involving foreign currency.

IRB sets the operating limits for each class of business for each insurer in accordance with that insurer's assets, size and share of the market portfolio. Any amount in excess of this limit must be reinsured with the IRB, which in turn will reinsure any excess above its *own limits throughout the* market. If local capacity is insufficient IRB approaches outsides reinsurance markets.

IRB's fortunes are in many respects yoked to the ambitions of the Brazilian Government, which is anxious to push the economy to a top position. Back in 1971 the Conselho Nacional de Seguros Privados, the most important insurance regulatory authority, which includes six Ministers of State as well as the president of the IRB on its Board, said that it was its intention to raise the Brazilian insurance market capacity to 3 per cent of Gross National Product. This proved to be too optimistic a target, capacity growing to only 2 per cent of GNP in 1977.

Even so, the rate of growth has been rapid in the domestic market. But there are now signs that Brazil is turning its attention more to overseas markets in an attempt to develop and consolidate its overseas reinsurance interests further.

The Government announced recently that a new focal point for Brazil's overseas insurance interests was to be created in the U.S. There, a new reinsurance company is being set up owned by Brazilian (through IRB) and international concerns. It may have left this development a little late in the day for further penetration into the U.S. market, because the capacity problems within the American markets of the past few years look to have subsided at the moment.

Other developments include the setting up of a tripartite reinsurance arrangement between a Brazilian conglomerate, an American broker and a newly formed UK reinsurance broker. Eluma Industria e Comercio, a leading Brazilian conglomerate, has established

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Stock exchanges seek new investors

Rio de Janeiro

THE RIO de Janeiro stock exchange is normally overshadowed by its Sao Paulo counterpart but on June 19 it set a new turnover record for itself and for "black" share deals in Brazil. Dealings totalled Cr310.7m ($17.5m) thanks to a surprise auction of 40m shares in the petrochemical holding company Unipar (which has Italian participation).

Individual investors and independent stockbrokers were edged out of the transaction by Unibanco, the banking conglomerate which not only handled *the transaction on behalf o fthe* Banespa (Bank of Sao Paulo State) group—which does not deal on the Rio de Janeiro exchange—but also purchased 38.17m of the 40m shares through its Banco de Investimento do Brasil.

In fact Unibanco has passed 15m shares on to Banespa which it is reported, will place this stock in its "fiscal fund." *Thus Unibanco has kept 23.17m* shares for its investment bank.

Another bank — Banco de Boavista—purchased 1m Unipar shares for its own "fiscal fund." These transactions mean that something over 30 per cent of all Unipar's shares are now held by institutional investors and Rio experts are of the opinion that the events of June 19 could herald a resurgence—*following this year's relatively* quiet first half—of the sort of mass institutional dealings that have characterised earlier booms on Brazilian stock markets.

The Unipar offer was the largest single offer of shares ever made in Brazil. For the seller it yielded Cr228m ($16.2m)—93 per cent of the day's dealings.

The success of the deal will, *experts feel*, encourage other holders of sizeable portions of shares in viable companies to offer other block deals on a market that is now warming up and *where the institutions are scouting for new shares for their fiscal fund portfolios.*

The growing dynamism of of the stockbroking activities of the banking conglomerates raises some questions about the *scope left for the small individual* investor or independent stockbroker. The former, in particular, are encouraged to deal on the stock markets with financial assistance in purchasing shares if necessary while, simultaneously, the conglomerates are encouraged to *broaden their activities*, an apparent contradiction that has *yet to be resolved.*

D.S.

Sao Paulo

FOR several years now, the Government has been taking important measures to strengthen the capital market, which is still an underdeveloped, *fragile institution in Brazil.* However, results so far have been modest, perhaps reflecting the continued strength of an old tradition, according to which personal contacts are all-important, even in business. A *strong* cultural resistance still exists against rational, impersonal investments, that are solely ruled by cold market trends.

None the less, the shortage of risk capital is clearly hindering private investment. When expanding activities, companies are forced either to obtain cheaper Government financing, with all the red tape that this *involves, or to borrow on* the money market, paying the absurdly high rate of 50-60 per cent per annum.

Undercapitalisation leaves Brazilian private enterprise vulnerable. Unless the high costs can be passed on to the consumer, the company can *easily end up in bankruptcy.* The Government's recognition of the companies' fragility has, understandably, made it reluctant to enforce regulations with sufficient rigour.

The Geisel administration has taken *significant* measures that, in the long term, will undoubtedly strengthen the market. In 1975, it gave foreigners permission to trade on Brazilian exchanges and opened special credit lines (PROCAP 1) to finance underwriting *and* provide funds for majority shareholders to subscribe for new issues in their companies.

In the same year, it provided the market with some powerful new investors. The Government decided that the enormous PIS and PASEP social funds should invest part of their resources in stocks. It also raised the maximum proportion of insurance companies' reserves *which could* be held in shares from 20 to 45 per cent, with a minimum of 30 per cent. A bill regulating closed pension funds was also passed by Congress last year, creating another institutional *investor.*

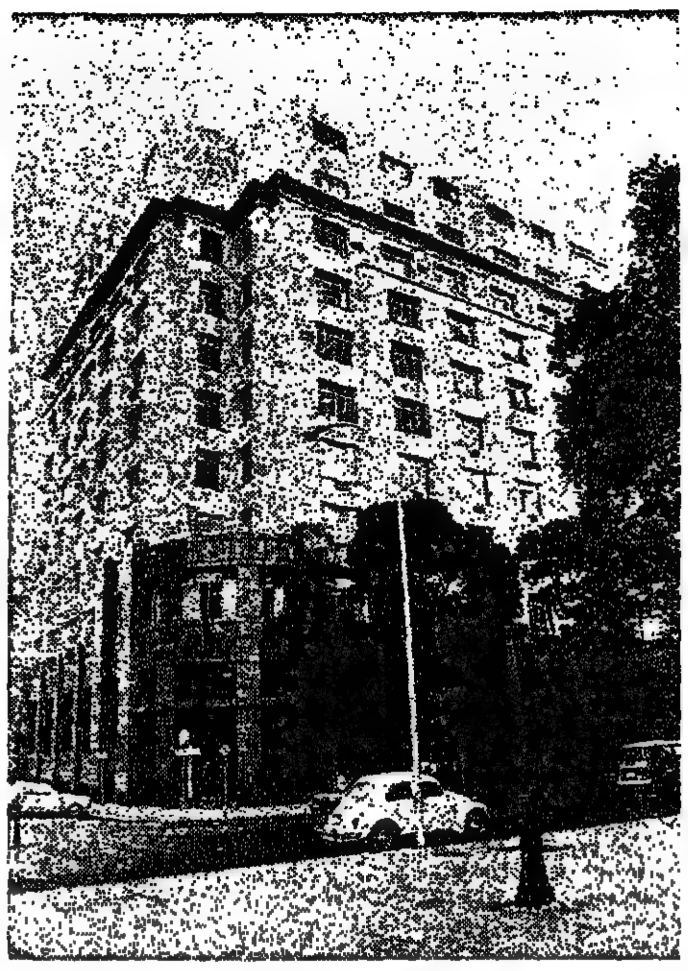
The short-term impact of these measures has been *disappointing.* The capital markets have continued jittery. After an excellent performance in September, trade fell off badly in the last quarter.

The Government took further measures. It created PROCAP II and FINAC II to provide financing, at subsidised interest rates, for long-term investments in the underwriting of new issues. Performance on *the* markets has picked up greatly this year, but no-one knows for how long.

There have been mixed reactions to the entry of large, new institutional investors on the markets. Some bankers have approved the decision, saying that, as well as furnishing *additional resources*, the institutions have the infrastructure to carry out better market analyses and therefore to bring a greater level of sophistication to buy and sell decisions.

However, brokers have com*plained that it has concen*trated decision-making power in the hands of very few people. This not only destabilises the market, because of the increased chance that buy and sell decisions will coincide, but it also means that, as Sr. Manoel O. P. Lopes, chairman of the Sao *Paulo exchange warns: "The* presence of a few forces with the capacity to manipulate the market at their pleasure causes distortions which drive out the individual investor."

S.B.



The Rio de Janeiro Stock Exchange.

Reinsurance

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a reinsurance broking company with Willcox Baringer and Co, the oldest reinsurance broker in America, *and* Robt. Arnold, a UK-based non-Lloyd's reinsurance broker. *This new company*, the first tripartite broking venture of its kind, is to promote the exchange of reinsurance business between Brazil and both the American and London markets, as well as managing *on an agency basis* Brazilian underwritig interests in London and New York.

Brazil is certainly not lacking in courage in attempting to develop its international networks. Conditions in world *insurance markets could hardly* be worse. Other reinsurance markets have been less disciplined than the Brazilians.

There is too much capacity *chasing* after to little business. Many countries have decided to expand the classes of business which they insured after the good years of the early-70s. *To do this* they have undercut existing rates and bitten deep into other markets. *As* the volume of capacity has grown so the rates have become keener in order to attract new business.

The result is that many are being landed with classes of poor quality business they could well do without, written at very unprofitable rates. To some insurance men the position *can* only be resolved by a reinsurance company sustaining such heavy losses that it goes out of business. A shortage of capacity will occur and then rates will harden.

But there is no reason why Brazil should be *making* the same mistakes as overseas rivals. But Brazilian Government policy for increased invisible exports could perhaps cause eventual headaches for the country in present market conditions in the reinsurance sector.

In its efforts to preserve *foreign currnecy IRB has* attempted to impose on itself burdensome exchange control restraints. Accordingly, some multinational industries in Brazil *have found themselves* with half their consequential loss policies reinsured with the Brazilian Treasury.

But even if the outcome of the *Sasse affair makes Brazilians* more cautious in their dealings with overseas markets there is still a relatively raw domestic market to be tapped. Industrialists *still only insure* when legally obliged to do so—and there is little penetration of the personal insurance field. IRB itself has indicated that it is aware of the vast *personal* market which is there and has asked for assistance from the insurance companies on how best to develop it.

Brazilian insurers will also be helped by the Government commitment to build on the strength of the companies operating within the local market rather than allow new insurers entry to cream off any domestic business.

John Moore

Considerable foreign participation

THE SEVENTEEN foreign banks—10 of them agencies, seven public companies—own 5.7 per cent of the banking system and hold 12.3 per cent of all private bank deposits.

But that is only the tip of the iceberg. There are major and minor foreign shareholdings in 20 of the country's 38 investment banks and in the past four years the number of representative offices of foreign banks has swelled from 79 to 136.

Judging by the mood of most foreign bankers working in Brazil, the heart of the matter is confidence in the country's ability to ride out political developments, cope with mushrooming population (growing at over 3 per cent a year), manage its foreign debt (expected to reach $38bn by the end of 1978) and, despite inherent and extraneous difficulties, increase and diversify its exports.

Brazil's huge area, its mineral wealth — only now being systematically surveyed and explored—its 110m. population (more than half under the age of 25) plus its determination to become a major industrial and political power are inevitably magnets for foreign business capital and the banks which follow in its wake.

Confine

That the 17 foreign banks which provide full services are unable to expand their number of branches, and that new arrivals must confine themselves to partnerships in investment banks or mere representative offices does not appear to be a source of major concern.

Under current legislation representative offices may not directly grant loans. What they can do is give advice on the formation of syndicates, set up contacts between prospective local clients and their head offices and act as channels for information.

At the moment this purely intermediary function seems satisfactory. The representative offices have a full workload at a time when many of Brazil's grandiose steel, hydro-electric, railway, pulp, chemical/petrochemical and nuclear energy projects are coming to life after years of languishing in the pipeline. All of them require heavy equipment, technology or other supplies in which foreign manufacturers play a key part.

Thus of the 136 representative offices in Brazil most involve banks belonging to nations in a position to offer the most advanced capital goods or know-how: 33 represent U.S. banks, 10 French banks, 18 British banks, 13 Japanese banks and 15 West German banks. Many of the U.S. banks represented are smaller institutions pioneering in Brazil.

They include the first National Bank of Dallas, the First Pennsylvania Bank, the Citizens and Southern National Bank, First Wisconsin National Bank of Milwaukee and Pittsburgh National Bank, as well as the majors like Chase Manhattan, Morgan Guaranty Trust, Bank of America (Trust and Savings), and large California banks like Security Pacific and United California.

The French are represented over a spectrum ranging from the Banque Rothschild and Banque de l'Indochine et de Suez to the Crédit Commercial, which has been instrumental in organising loans for the mammoth Tucurui hydro-electric scheme in the North-east.

The range of German representations is wide—from the Bank für Gemeinwirtschaft through the Saarlandische Kreditbank to the Bayerische *Hypotheken und Wechsel Bank*. Britain is represented by two of its majors—Barclays and Midland — as well as Lazards, Samuel Montagu, Kleinwort Benson and Braemar Holdings.

The Japanese, who have been instrumental in the growth of Brazil's steel, shipbuilding, pulp and electro-electronics industries, are represented by institutions including the Bank of Tokyo, Dai-Ichi Kangyo Bank, Export-Import Bank of Japan and Long Term Credit Bank.

Despite the energetic competition from Brazilian commercial banks, whose sophistication and weight is increasing, foreign banks which offer a wide range of services feel that they have a slight edge in that they can draw on their international credit lines within a matter of hours or raise funds on the London interbank market equally rapidly, whereas a company needing an urgent loan from a Brazilian commercial bank might have to wait 24 hours or more. The Bank of London and South America, for instance—the oldest foreign bank in Brazil—attributes the growth in its lending (mirrored by other foreign banks) to this ability to move with speed.

In 1977 BOLSA loaned $129.9m—twice as much as it held in deposits—while Citibank made a $56.4m profit on its Brazilian operation (20 per cent of its total profit) with loans of $998m and deposits of $292.7m.

The Bank of America, which negotiates major loans and investment through its representative office and with the Royal Bank of Canada shares *the Banco Internacional* as an affiliate, has been operating in Brazil for 25 years. During a recent visit to Brazil, the bank's World Operations president, Mr. Clayton Rice, told the Press that Brazil was its largest taker of loans in Latin America and one of its six or seven largest takers in the world, yielding a profit margin on loans that, he said, was larger than the margin on internal U.S. loans.

The Bank of America, which has been lending money to the national oil conglomerate Petrobras since 1954—over two decades before the conglomerate contemplated opening Brazil's continental shelf to risk contracts with foreign oil companies—is now awaiting Brazilian Government approval to take 33 per cent of the voting stock of the Brazilian investment bank Multibanco.

Sense

Foreign participation in Brazilian investment banks is "multinational" in its most literal sense. It ranges from a 56 per cent share held by Chase Manhattan, 10 per cent by Deutsche Sudamerikanische Bank in the investment bank of the Banco Lar Brasileiro (non-voting stock) through a mixed package of shares in Unibanco, held by the Dai-Ichi Kangyo Bank (4.78 per cent), Crédit Suisse (2.64 per cent), Harris Bank Corporation (4.69 per cent), Commerzbank (3.99 per cent) and Philadelphia International Investment Bank (2.39 per cent) to an 0.6 per cent share in the voting stock of the Banco Mercantil by the Bank of Ireland.

Normura Securities (5 per cent) the Mitsui Bank (5 per cent) and the Mellon National Corporation (13 per cent) hold shares in the Bozzano-Simonsen investment bank. One of Brazil's most powerful investment banks, Bradesco, lists a 20 per cent foreign shareholding parcelled out between the Sanwa Bank, Deutsche Bank, Societé Générale, Amsterdam-Rotterdam Bank, and Kreditanstalt Bank-verein.

Another Brazilian major, Banco Itau's investment bank, has its foreign shareholders spread among the Bayerische Vereinsbank, Banca Nazionale del Lavoro of Italy, Banco Popular Español, Union de Banque Suisse, Kyowa Bank and Hill Samuel.

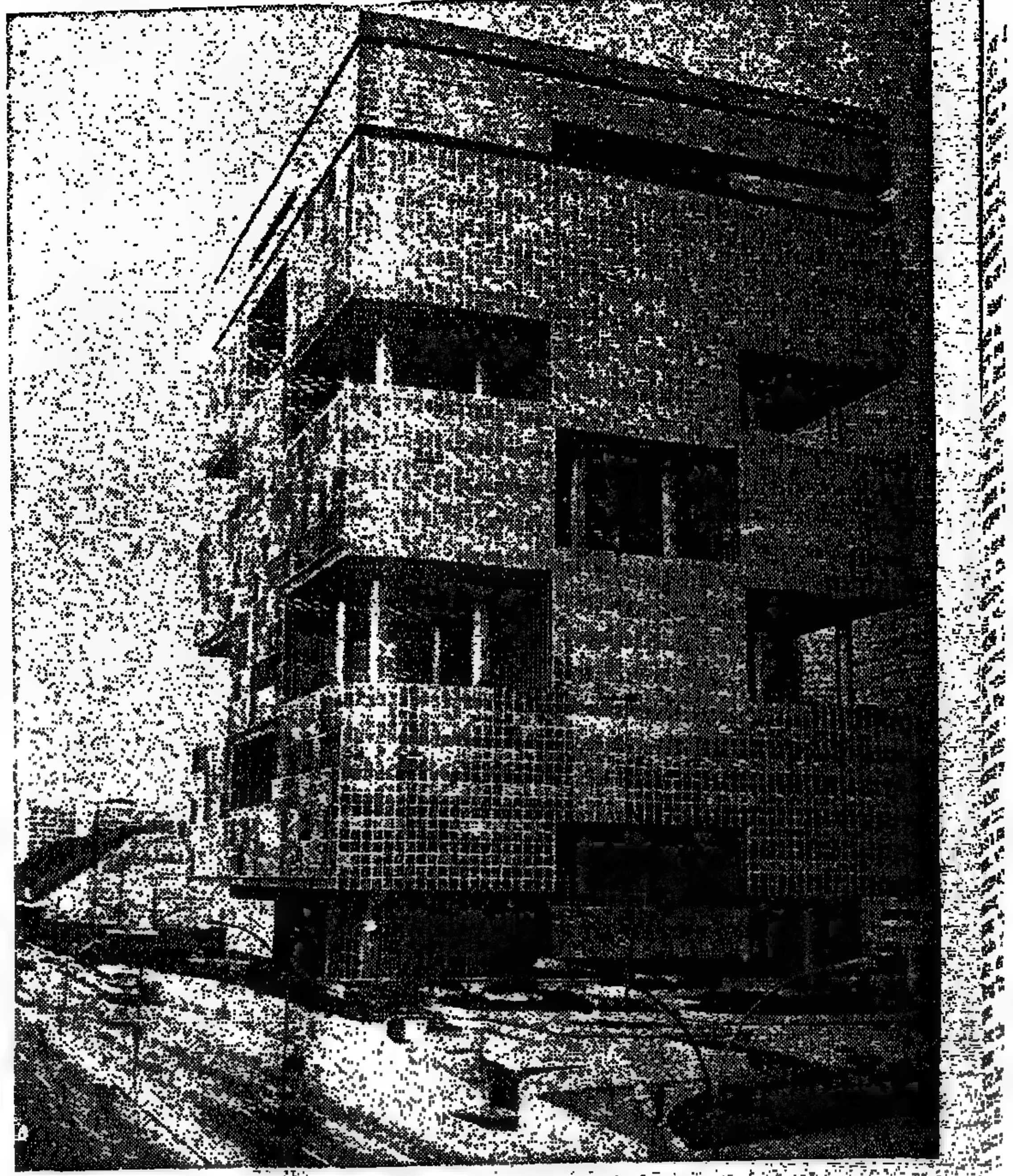
The reciprocity principle, now gathering momentum as Brazilian banks begin to open more agencies or offices abroad —with the gigantic Banco de Brasil, part State and part privately owned leading—has also helped to open the doors to foreign banks. The scope of their operations will depend greatly on the attitudes of the new Government which will take office in March, 1979, headed by General João Baptista Figueiredo, but there are no indications as yet that incoming Ministers will tighten up restrictions.

Several foreign bankers have indicated that, although Brazil's $38bn year-end foreign debt is worryingly high, they are not viewing it bleakly.

Their attention focuses on the current account, with a balance of payments deficit in the area of $4.5bn incurred by the services account deficit. Unexpected bad weather — a drought lasting several months in the coffee and soya planting areas in the south followed by frost and snow this month — has played havoc with the forecast that in 1978 Brazil would enjoy a $1bn trade surplus. It is now likely that there will be a deficit of not less than $500m and possibly $1bn, saved from a greater plunge in the red only thanks to the upsurge in exports of manufactured goods.

Therefore, while keeping a close eye on the performance of the trade balance, foreign bankers pay homage to official drives to offset the imponderables of the weather by actively promoting greater foreign sales of manufactured goods and to place these in developing countries where the stumbling blocks of protectionism are minimal. When they speak of Brazil's "aggressivity," they mean it as a compliment, and a powerful factor in their willingness to grant or negotiate loans.

D.S.



The Petrobas building in Rio de Janeiro.

FOREIGN BANKS

	LOANS ($m) 1974	LOANS ($m) 1977	DEPOSITS ($m) 1974	DEPOSITS ($m) 1977
Alemaao-Transatlantico	7.19	52.25	6.88	30.6
Banco Commerciale	0.457	4.8	1.5	4
First National Bank of Boston	28	107	27.3	76.7
Caixa Geral dos Depositos	0.779	3.54	0.265	1.66
Citibank	161.3	998	103	292.7
Europeu para a America Latina	—	26.7	—	13.96
Frances e Brasileiro	97.6	458	70.5	260
Frances e Italiano	70.9	285	60.1	210.2
Holandes Unido	23.1	56.5	16.6	27.29
Internacional	6.4	16.5	4.97	9.28
Lar Brasileiro (Chase Manhattan)	81.4	500	58.5	287.1
BOLSA	63.1	130.3	42	64.86
Mitsubishi Brasileiro	21.6	80.6	24.3	56.82
Nacion Argentina	1.54	3.17	0.706	2.44
Sumitomo Brasileiro	12	46.3	10	17.8
Bank of Tokyo	20.2	569.6	26.9	27.8
Union de Bancos	—	1.16	—	0.694
Total (Foreign Banks)	595.7	2,830	453	1,380
Total (all private banks)	4,030	13,300	3,990	11,290
Foreign Banks' share (percentage)	14.75	21.2	11.81	12.30

Note: Conversions made at current rate of Cr.17.70 to the dollar.
Source: Gazeta Mercantil.

هكذا من الأجل

David Freud analyses the changing patterns in British employment

A new era for women

ANY EXAMINATION of the UK's current unemployment problems must start from the *crime writer's favourite maxim:* "Cherchez la femme." For one of the *principal* causes of the record post-war levels of unemployment is a profound social change — more and more married women are holding jobs or looking for them.

Other commonly cited factors, such as the baby-boom *generation* reaching working age or the decline in the country's manufacturing base, have played some part. *But it is likely* that the economy could have absorbed most of the school-leavers, if they had not had to compete with the women.

In spite of the recession since 1974, the number of people employed has held up remarkably well. In round numbers 200,000 jobs have been lost, accounting for only a fifth of the increase in people out of work. The remaining four-fifths of those out of work are net new additions to the country's working population.

Where have these people come from? The labour market is in a state of constant movement, with 8m to 9m job changes a year. In overall terms, however, the number of people joining the workforce (which includes the unemployed) currently exceeds the number retiring from it by about 170,000 a year.

Over the last five years the number retiring has been slightly larger than the number of school-leavers joining the market. However, over the same period an additional 1m married women have become available for work, an increase of 200,000 a year.

Because married women are *highly employable* — often because of their previous work experience — they have had *little trouble in getting jobs,* mainly at the expense of girls and women in their 20s. Unemployment among women between 20 and 29 is now the highest of any age sector in the population, at more than 36 per cent.

The problem of these young workers, "*displaced*" by married women, would have been *much worse but for the raising* of the school-leaving age to 16 in 1972-73. This is estimated to have reduced the working population by about 0.5m.

The raising of the school-leaving age helped to mask the fact that the UK's unemployment problem is not so much a result of the current recession but part of a longer-term decline which seems to have begun about 10 years ago.

Up to that time the labour market seemed capable of expanding *to use the growing* workforce. Indeed large-scale *immigration was necessary to* satisfy demand. Nearly 3m extra jobs were created in Britain in the 18 years from *1948 and unemployment* averaged *only* 300,000 throughout the period.

In the 11 years from 1966 the workforce increased by *only* 650,000, and unemployment in*creased by more than 1m.* Government job creation schemes *are estimated to be currently* keeping more than 200,000 off the register.

What was the cause of the turnround? On the surface it was a decline in employment in manufacturing *in 1966. In the 18* years from 1948 an extra 1.5m jobs were created in manufacturing, while in the 11 years *since 1966* 1.2m jobs were lost in this sector.

However, several sectors of manufacturing industry were declining even in the earlier period, notably *shipbuilding* and textiles. It therefore seems likely that a long-term "natural" decline was involved in those industries, similar to that which has cut the number of workers needed in agriculture over the last century.

Employment in vehicle manufacture was also showing little growth by the 1960s. The real change in trend is seen in metals and engineering. These seemed extremely healthy industries for employment in the earlier period, offering nearly 1m extra jobs. But in the 11 years after 1966 the number of jobs in those industries fell by nearly *500,000* at a rate *almost as fast* as that of the previous rise.

It is *impossible,* in practice, to isolate whether the fall in employment *is due* to automation, increased productivity or *industrial* decline. However, international comparison suggests it would be quite wrong to lay the blame for the increasing unemployment at the door of manufacturing.

Figures compiled *by* the Organisation for Economic Co-operation and Development show that in 1975 only Germany and Italy had a larger proportion of their workforce employed in manufacturing than the U.K.

The proportion of the U.K. workforce in manufacturing was 30.9 per cent, while the equivalent figure for the U.S. was 22.1 per cent, and for Japan 25.8 per cent.

Nor was the UK alone in experiencing declining employment in the manufacturing sector over the previous 10 years. The only OECD-member countries whose workers in manufacturing increased between 1965 and 1975 were Italy and France.

INTERNATIONAL COMPARISONS

Per cent employed in manufacturing (1965-75)

	1965	1975
United Kingdom	35.0	30.9
Belgium	35.3	30.1
Denmark	28.2	22.7
France	27.7	27.9
Germany	38.3	35.8
Ireland	18.6	20.4
Italy	28.9	32.6
Netherlands	28.2	24.0
U.S.	26.1	22.1
Japan	24.3	25.8
Sweden	32.4	28.0

Source: OECD Labour Force Statistics

It is not only through direct competition that women have been able to increase their *stake in the economy.* They have also benefited from a change in the type of job on offer.

While employment in manufacturing—traditionally a male *stronghold—has been declining,* there has been rapid and steady *growth in employment in* service industries. And women have been well suited to take on these new jobs.

Taken as a whole, service industries in Great Britain have offered an additional 3.3m jobs since 1948, and the rate of increase *doubled between 1966* and 1977.

The service industry sector *in which there has been most* growth is the one in which women *have traditionally found* it easy to obtain jobs. This is "professional and scientific" services, which include education and health. Employment has grown nearly 300 per cent in this area since 1948, by 2.1m jobs.

The public sector has led the way in providing these new jobs, and the process accelerated in the last business cycle, from 1971 to 1976. In this period the numbers employed by central government and local authorities increased by 772,000. More than half of these extra *jobs were in health and social* services, while most of the remainder were *in education.*

One reason the public sector has been to the fore is because it is one of the few sectors in which employment is not indirectly tied to the ailing manufacturing part of the economy. It is estimated that of the 15m or so jobs in non-manufacturing about half depend on manufacturing.

The effect of these changes has been to boost the proportion of married women who have got jobs — or want them — from 42.3 per cent in 1971 to a current figure of just over 50 per cent. This is an acceleration of a trend that began at the beginning of the 1930s, when only 10 per cent of married women had jobs.

The increase in the number of working married women — who form more than two-thirds of the female workforce—means that half of all women over the age of 16 hold or are looking for jobs. This compares with an 84 *per cent figure for men.*

Two other factors — apart from the increase in opportunities for work in the public sector — are thought to have contributed to the sharp rise in women's activity rates in the current decade.

These were the very big drop in the birth rate, by about a quarter between 1971 and 1975, leaving a higher proportion of women free to work. The second factor was legislation or equal pay and opportunities, which has encouraged more women to seek work.

Official forecasts all assume that the increase in the economic activity of married women *will continue,* although *it is thought unlikely to reach* the 84 per cent rate of men. This growth is expected to be the main factor disturbing the labour market in the next few years.

If there were no change in married women's activity rates from last year's level the labour *force would increase* by only 431,000 between 1977 and 1981, *an average of 107,000 a year,* according to the Department of *Employment.* But the likely increase in activity rates for married *women which is part of* the DE's assumptions brings *that figure up to 681,000, or* 170,000 a year.

*In fact, the additional num*bers seeking work are likely to be even bigger than this, if past *experience provides a reliable* clue to the future. In the past the official forecasts have *con*sistently under-estimated the number of married women *join*ing the labour force.

The second major *factor* widely expected to affect the labour market in the UK is technology, and more specifically the *silicon* chip, with *all* the potential it has for large-scale use of computers and automation and the consequent *loss of jobs.*

Mr. John Cassels, director of *the Manpower Services Commis*sion, believes that while the chip will cause large changes in the use of labour, those *changes will occur much more* gradually than many people fear. Nor will the impact necessarily be to reduce the total number of jobs.

"The history of the indus*trial revolution is full of new* machines which dispensed with *labour and yet did not cause* a loss of jobs. The chip may *be used to improve the quality* of products or services, without *changing the numbers em*ployed, or it may be used to *produce goods more cheaply,* freeing spending power for *other employment - creating items,*" he said.

However, the chip will undoubtedly reinforce the trend towards fewer manufacturing jobs and more work in the service industries. Furthermore, *the new jobs will require a* better educated workforce.

This requirement seems to be in line with future supply. A recent article *in Employment* Gazette, the official magazine of *the DE, showed that the number* of people in the economy with university degrees *or* their equivalent is expected to increase *from the current 1.2m* to 2m by 1986. These will *represent* 9 per cent of the total workforce compared with 4.8 per cent at present.

The article goes on to esti*mate that the growth in the* number of highly-qualified women will be particularly rapid, increasing from 267,000 *in 1971 to 725,000 in 1986.*

So, it looks as if in the next decade women, particularly married women, will become *increasingly important in the* workforce. And because they were late *entrants to the job* market they will tend to par*ticipate in the healthier, grow*ing parts of the economy. This makes it all the more likely that the problems which school*leavers face in obtaining jobs* are going to get worse.

INDUSTRY v. SERVICES

Workers in G.B. employment ('000s)

	(Mid-Year)	All industries and services		Manufacturing		Non-manufacturing	
11 years	1948	19,994	+1,571 (+7.9%)	7,930	+998 (+12.6%)	12,064	+573 (+4.7%)
	1959	21,565		8,928		12,637	
7 years	1959*	20,983	+1,804 (+8.6%)	7,902	+506 (+6.4%)	13,081	+1,298 (+9.9%)
	1966	22,787		8,408		14,379	
8 years	1966	22,787	−490 (−2.2%)	8,408	−703 (−8.4%)	14,379	+213 (+1.5%)
	1974	22,297		7,705		14,592	
3 years	1977	22,172	−125 (−0.6%)	7,205	−500 (−6.5%)	14,967	+375 (+2.6%)

*Statistics on new basis

Source: Department of Employment

Letters to the Editor

Investment for development

From Senator Jacob Javits

Sir,—Adela has come under fire recently. This multinational *economic development corporation* I conceived for Latin America over a decade ago has been the subject of some surprising Press criticism. The charge is that, at the ripe old age of 13, Adela — Atlantic Community Development Group for Latin America—has become jaded, has lost sight of its original purpose, has, in effect, become a "faded dream." Quite a contrast to the sort of articles that appeared at *its inception.*

The founders saw no conflict between Adela's objective in making a real contribution to *economic development on* the one hand and that of obtaining a reasonable return on its investment on the other.

Expertise would come *from its* stockholders, which included many of the world's most successful corporations. Exxon, Ford Motor, First National City Bank and IBM were among the first investors, soon to be followed by Fiat, Sybetra, Dresdner—50 shareholders from 12 countries *in all.* With *paid-in capital of* $16m, Adela was incorporated *in Luxembourg* in 1964. Growth and profits rose from the first year onward and with one exception, every year since has ended in the black. Today it is a corporation with close to $0.5bn in assets with *228 shareholders from 23 coun*tries and investments throughout *Latin America.*

Of course, no one imagined in 1964 that the international economic community would be *so pervasively affected* by the petroleum exporting nations 10 years later. The price of oil shot upwards 500 per cent, and this development, added to other strains in the world economy, plunged the world into a recession from which it has yet fully to recover.

Overseas, we see a *low level* of capital formation in the *industrialised countries,* the rapid accumulation of debt in the developing countries, and the problems of recycling the vast accumulation of financial resources of the Organisation of Petroleum Exporting Countries' states. Industrialised countries must seek to encourage broader markets *and* those developing countries that desire help to develop their local business and export capabilities must be assisted to counteract the crippling effect of large oil import deficits.

Mechanisms are needed to marshal capital and expertise and place them at the disposal of promising developmental enterprises. Since its formation, Adela has employed over $2bn to implement this purpose. It has been instrumental in developing and expanding *over* 160 companies principally in the agribusiness and *manufacturing* fields, and has created employment for over 350,000 people.

New development opportunities include a primary *irrigation* system in Brazil, a construction block factory in Guatemala, an African palm plantation and oil processing *facility* in Venezuela. Indeed, our experience with Adela led to *the creation* in Asia of PICA (Private Investment Company of Asia) based in Singapore and in Africa of SIFIDA Investment Company based in Geneva.

The role of foreign private sector investment in development *must complement* the objectives of governmental assistance which focuses on meeting the basic human needs of the *poorest sector of developing* country populations.

The dream of Adela has not faded, instead the need that it sought to address has grown enormously in the economic turmoil of the 1970s, making it all the more imperative that we use such mechanisms in the effort to *narrow the gap* between the developed and developing countries that threatens the equilibrium of the world economic system and societies.

J. K. Javits,
United States Senate:
Washington DC 20510.

Unemployment in Hammersmith

From the Director of Development Planning, London Borough of Hammersmith

Sir,—I read with interest the article "Tinkering with problems of London's industrial decay" which appeared June 15. I would *like, however, to draw* your attention to the table entitled "Inner London's worst hit areas" which appears in the text.

I think that the figures shown, although *no date is given, refer* to April 1978 and are GLC estimated rates for employment office areas. It appears that the Hammersmith employment office *area, which according to GLC* estimates had a male unemploy*ment rate of 7.6 per cent,* in April, has been omitted from this table.

In addition, more detailed analysis of unemployment figures for those parts of the employment office areas which are in *this borough, suggest that* unemployment in north Hammersmith *is in fact higher than 10 per cent.*

William A. McKee
Town Hall,
King Street, W6.

Strathclyde's plight

From the Chairman, Planning and Development Committee, Strathclyde Regional Council.

Sir,—I expect our London friends to argue their "case" for special treatment with all due vigour but really. Messrs. Brennan and Churchill's article on June 15 cannot go unchallenged.

London's local male unemployment rates in April 1978 "rival *any* of Britain's traditional blackspots" we are told. In my part of the *world that same* month I can count seven of *Strathclyde's* 56 employment exchanges with male unemploy*ment rates higher* than London's worst area Poplar, and I can find only five with unemployment lower than London's Barking—one of "London's worst hit areas." Glasgow's average male unemployment rate is as high as that of Deptford's. London's third worst local area and a 13.5 per cent is 2½ *times London's* average. Your readers may be interested *in the table of our* "bottom ten" local areas. It does not make pretty *reading:*

	%
Bridgeton	29.6
Rutherglen	27.0
Easterhouse	23.0
Springburn	16.2
Rothesay	16.0
Parkhead	15.2
Saltcoats	15.2
Cambuslang	13.9
Alexandria	13.7
Govan	13.5

(Male resident unemployment, April 1978 by employment office areas.)

In addition, although London's manufacturing base may have declined by "about a third since the early 1960's. Glasgow's has fallen over 40 per cent, and total employment is down by about 25 per cent.

Similarly, London's population may be declining by 100,000 a year, but Glasgow's at almost twice that percentage rate—2¼ per cent p.a. as against 1.3 per cent for London. *And so I could* go on. Small wonder we up *here take a jaundiced view of* County Hall's special pleading!

Of course London has problems—major problems by the standards of the prosperous South East, but to suggest that London's problems are as serious as those of Strathclyde or Merseyside or the other "tradi*tional blackspots*" is at best to confuse size with significance and at worst to distort the facts.

C. Gray.
Strathclyde Regional Council,
Melrose House,
19, Cadogan Street, Glasgow.

Windmill power

From the Counsellor (Scientific) Canadian High Commission

Sir,—I was disappointed to note that in an otherwise well-*researched* and interesting article—The two pitfalls of windmill power, June 16—Mr. David Fishlock did not mention the large vertical axis wind generator built by the National Research Council of Canada, which has been operating successfully for about a year *now in the Magdalen Islands in* the Gulf of St. Lawrence. This windmill, believed to be the largest of its kind in the world, has been feeding some 200 kilowatts of electrical power into the island grid, which is normally supplied by diesel generators. Its operation to date is estimated *to have saved about 40,000* gallons of diesel fuel at this remote location.

This simple type of windmill, with its blades mounted on a vertical axis and curved in the shape of a skipping rope, was *developed by* the low-speed aerodynamics laboratory of NRC in Ottawa. The Magdalen Islands machine is one stage in the scale-up to wind generators that may eventually deliver one megawatt of electricity.

J. Koop.
Canadian High Commission,
MacDonald House,
1, Grosvenor Square, W1.

Expanding TV coverage

From the Head of Music and Arts BBC-TV

Sir,—May I take issue with my friend Chris Dunkley? In last Wednesday's TV piece he wrote about "the seemingly *irresistible* drive towards the middle ground which has been proceeding slowly in British TV for 15 or 20 *years.* Each year the number of programmes making a significant *demand from the viewer* and offering a commensurate return seems to *shrink and shrink,* and they always were a small minority."

We need to see chapter and verse before accepting this gloomy view of TV over the past two decades.

I've worked in TV for exactly 20 years—since the early days of *Monitor*—and I know that in the arts field there has been enormous expansion rather than diminution in serious programmes making demands on the viewer. The same is surely true in science and other cultural areas. In the 1960s there was *nothing like* Ron Eyre's *Long Search,* no equivalent to Mike Dibbs' *two hour study of draw*ing, or George Steiner's two hour essay *on* language, *After Babel.* Omnibus, too, has dealt seriously with any number of serious subjects—they included, last season, Courbet, Gagaku, radio features, the Polish musical avant-garde and Christopher Bruce the choreographer. *Arena* took TV drama seriously among the many arts tackled in its last run. Bryan *Magee takes philosophy seriously. The Spirit of the Age* took architecture seriously. If there is a danger, it is that the public may be finding it increasingly difficult to watch TV seriously. But that's another story.

And whatever Chris may think of Derek Bailey's treatment of *Mayerling* (and the complete ballet lasts well over two hours) he must *not* be allowed to get away with a statement like "TV inevitably detracts from any performance when it simply relays it from the theatre." BBC-2's Dance Month included what was by general consent a superb relay of *A Month in the Country* from Covent Garden. The Balanchine films Chris Dunkley dislikes so much were *second repeats and* late night screenings; the main thrust of our Dance Month was to performances taped or transmitted live from theatres—including a three hour relay from the Royal Danish Ballet which was hardly heading for the middle ground, consisting as it did of three *unfamiliar short ballets.*

Even the best of critics have short and partial memories, I fear.

Humphrey Burton.
BBC-TV,
Kensington House,
Richmond Way, W14.

A thumping great loss

From the Secretary-General, The Federation of Personnel Services of Great Britain

Sir,—You report in the Jobs Column (June 22) that Mr. Crosby of Professional and Executive Recruitment should be pleased that his organisation made a before-tax profit of *£20,000 in 1977-78.* I do not believe that anyone in commerce would *share his pleasure faced with the* figures upon which this minimal profit is based since without the state subsidy of £2.7m there would have been a thumping great loss.

Moreover, the increase in fee *income of PER (from £2.35m to* £3.25m) amounts to an increase of 37 per cent. This occurred during an upswing in employment market conditions and when the fee income of the nearest comparable private agency increased by well over 50 per cent. This pattern was repeated in most *of the larger agencies.*

It is also important that the *various components making up* the social subvention should be *looked at in the light of* what the private sector does in the same circumstances. In 1976-77, when the total subvention was some £2.5m, over £1.6m was attributed to problems associated with those difficult to place. In every one of the detailed activities paid for by this part of the subvention the private sector is active, and the fact that it is so is reflected in the numbers of the difficult to place for whom it obtains employment. The point I am making is not that the subsidy is unjustified, but that it should only be used in computing the commercial viability of PER if the very valuable work of the private sector in dealing with similar problems is also taken into account.

In the context of a rising market and the same questionable social subvention, the *minimal profit of £20,000* is not something of which the businessman would be unduly proud.

Donald J. Cropper.
120, Baker Street W1.

Today's Events

GENERAL

Labour Party national executive meets.

TUC General Council meets.

Port of London Authority holds emergency Board meeting in effort to finalise a dock-closures plan.

Public hearing by Civil Aviation Authority of applications by both *British Airways and British Caledonian Airways* to be designated the UK airline on new London-Dallas/Fort Worth route.

India holds fifth of seven fortnightly gold auctions.

National Gas Consumers' Council annual report.

President Giscard d'Estaing of France begins visit to Spain

PARLIAMENTARY BUSINESS

House of Commons: Motions on EEC documents on contracts negotiated away from business premises; on the aeronautical sector; on criminal law; and on Ancillary Dental Workers (Amendment) Regulations.

House of Lords: Theatres Trust (Scotland) Bill, and Nuclear Safeguards and Electricity (Finance) Bill, third readings. Suppression of Terrorism Bill, and State *Immunity Bill,* consideration of Commons amendments, Protection of Children Bill, *third reading.* Local Government (Amendment) Bill, and Rating (Disabled Persons) Bill, committee. Debate on arrangements for protecting British shores against oil pollution and on shipping lanes and compensation.

Select Committees: Expenditure (Trade and Industry sub-committee). Subject: Measures to *prevent collisions and strandings* of noxious cargo carriers in waters around UK. Witnesses: British Shipbuilders; Harland and Wolff (10.30 am, Room 16). Parliamentary Commissioner for Administration. Subject: Review of Access and Jurisdiction. Witness: Sir Idwal Pugh, Parliamentary Commissioner for Administration (4 pm, Room 7). Nationalised Industries (sub-committee C). Subject and Witnesses: Independent Broadcasting Authority (4 pm, Room 8). European Legislation. Subject: Preliminary draft general budget 1979. Witness: Mr. Joel Barnett, Chief Secretary, Treasury (4.15 *pm, Room 15*). *Joint Committee* on Consolidation Bills considers National Health Service Bill (Lords) (4.30 pm, Room 4).

COMPANY RESULTS

Final dividends: BPB Industries; Chubb and Son; Hicking Pentecost; *MK Electric Holdings.* Interim dividends: Blundell-Permoglaze Holdings; Hardys and Hansons; M and G Dual Trust. Trust Houses Forte.

COMPANY MEETINGS

See Page 30.

COMPANY NEWS + COMMENT

Standard Chartered slows in second half

WITH SECOND-HALF profits only marginally higher at £63.68m compared with £62.27m previously, taxable profit of Standard Chartered Bank ended the March 31, 1978, year ahead from £109.94m to a record £126.15m.

The figure includes an £18.97m (£13.18m) contribution from associated companies and is subject to tax of £63.32m (£55.37m), comprising UK tax of £21.37m (£21.14m) and overseas tax of £41.95m (£34.23m).

With minority interests taking £8.32m against £6.28m and extraordinary items £1.64m (£0.9m), attributable profit came out at £52.87m (£47.4m).

Earnings per £1 share are shown at 78.9p (69.9p) and a final dividend of 11.6006p takes the total for the year from 17.4838p to 19.3500p net. If the ACT rate is reduced a supplementary payment will be paid in January.

Dividends absorb £13.48m (£11.97m), leaving retained profit up from £35.43m to £39.39m.

See Lex

INDEX TO COMPANY HIGHLIGHTS

Record £843,696 by Halma

FOLLOWING A rise from £170,107 to £403,661 at midway, pre-tax profits of Halma were ahead at a record £843,696 for the year to March 31, 1978, compared with the previous year's £560,758. Turnover advanced from £7.97m to £9.62m.

In January, the directors said that first-half results reflected a further indication of the growth potential of the markets in which the group was now established and forecast that full-year profits would be significantly higher than for 1976-77.

The full-year result was struck after interest of £98,431 (£83,735). Tax takes £278,746 (£130,087) with ED19 applied and after an extraordinary credit of £2,433 (£156,945 debit) and minorities, attributable profit increased from £253,726 to £563,259. Comparisons are adjusted.

Earnings per share are given as 11.76p (8.7p) and as forecast, a final dividend of 1.398p subject to the expiry of dividend controls doubles the total payout from 1.259p to 2.518p net. The directors propose to double the authorised capital to £2m and a scrip issue of 11-for-10 is also proposed.

The directors report the sale of a freehold property on June 23, 1978, for £450,000. This property which is surplus to the group's requirements, comprises a factory and office block at East Molesey, Surrey. The proceeds will further strengthen the group's already strong balance-sheet, they say.

Net asset value at the year-end is shown at 63.9p (50.5p) per 10p share.

The group manufactures safety systems, fire and environmental control products and specialised engineering equipment.

Bardon Hill beats forecast

The Bardon Hill Group, whose shares are traded on the over-the-counter market, achieved pre-tax profits of £1.2m in the year ended March 31, 1978, compared with last July's forecast of not less than £950,000 and £977,000 in 1976-77.

Sales for the year amounted to £13.1m against £10.49m. Net profit was £561,000 (£405,000).

The net dividend is the forecast 7.9p (2.6p) and earnings per share are stated as 18.4p (13.7p).

Mr. J. Gregory Tom, the chairman, says that with minor exceptions the operating companies increased both sales and pre-tax profits (up by 23.2 per cent) despite the continuing low level of activity in the construction industry.

The major part of the group's dry and coated stone is used for road maintenance in the Midlands and the current cutback in government spending on road maintenance can only be a holding operation and will lead to a need for more substantial maintenance programmes in the future.

Following a successful year the crane and plant hire companies extended their range of equipment and continued the policy of replacing much of their older hire fleets.

The civil engineering company has fulfilled expectations and increased its profits.

Given reasonable trading conditions, further progress in the current year, can be expected, the chairman says.

Meeting, Leicester, July 20 at 11.30 am.

M. James turns in £379,000

PRE-TAX profits for 1977 of Maurice James Industries, formerly York Trust, amounted to £379,000, compared with a deficit of £155,000 for the previous nine months. Turnover was better at £5.23m against £1.18m.

	1977 12 months £000	1976 9 months £000
Turnover	5,223	1,182
Operating profit	420	*218
Shares assocs. profit	56	96
George Doland	41	6
Tranwood Group	13	—
M. James Holdings	—	90
Interest charges	68	33
Adjustment†	29	—
Profit before tax	379	*155
Taxation	199	29
Net profit	180	*184
Extraord. debits	34	119
Available profit	146	*303
Dividends	109	1
Retained profit	37	*304

*Loss. †In respect of pre-acquisition profits.

At halfway, when reporting profits of £219,320 (£149,709 loss), the directors said second-half prospects were encouraging and continued profitable growth was anticipated for each division.

They now say further developments are well advanced to improve the net worth of the company.

Following the restoration of dividends with an interim of 0.5p, a final of the same amount makes the total for the year 1p net (nil), from stated earnings of 1.4p per 20p share—the last payments amounted to 2p gross in respect of 1971.

Godfrey Davis at peak £3.7m

DESPITE forecasts in November of second half profits falling short of the previous year's level there was a £47,000 advance to £1.15m leaving taxable profit of Godfrey Davis for the March 31, 1978 year up from £2.32m to a record £3.7m.

Turnover rose from £60.01m to £75.91m and after exceptional items of £168,000 (£83,000) and tax of £0.86m (£1.06m) net profit was £2.67m (£1.38m).

After minority losses of £34,000 (£36,000) attributable profit was £2.7m (£0.44m). Last year there were extraordinary losses of £0.97m.

Earnings per share are shown at 22.3p (11.7p) and the second interim dividend of 2.535171p takes the total from 2.903932p to 3.303171p. If the rate of ACT is reduced the dividend will be adjusted and if dividend restraint is discontinued a third interim not exceeding 0.694829p will be paid.

The tax charge reflects ED 19, and directors consider first year tax allowances are available for the group's vehicle rental fleet.

At balance date fixed assets were £18.69m (£14.56m) and net current assets stood at £2.81m (£1.93m).

● comment

Godfrey Davis has marked time in the second half but this was generally expected; there were fewer disposals of ex-hire cars while the comparable period was exceptionally buoyant. Overall the star performer has been the rental, leasing and contract hire division where profits are 60 per cent higher. The sharp increase in new car prices coupled with the various tax advantages and strong residual values has led to boom conditions in contract hire and leasing while the rental activities have benefited from price increases and a very high utilisation factor. Given these conditions the Ford distributorships have performed equally well. The motor industry is looking for a record year in 1978 and GD is so far running about 23 per cent ahead pre-tax. Of course a major seller of second-hand cars such as Godfrey Davis is strongly influenced by price movements for used vehicles, and the period of rapid inflationary movements seems to have passed. But shares at 87½p seem to be over-reacting to this point on a p/e of 3.8 and a yield of 5.8 per cent, covered nearly 7 times.

Tecalemit jumps to £3.7m

WITH PROFITS showing an advance of 31 per cent in the year ended March 31, 1978, Tecalemit plans to boost its dividend total from 3.22p to 5.47p if statutory limitation ends, as expected, on July 31.

The proposed final is 3.6452p—if however before the date of the AGM, on August 4, the Government moves to extend the period of restraint and if the maximum increase allowed is less than the amount now recommended, a new proposal will be put forward at the meeting.

The profit increase to a record £3.7m followed an advance of 58 per cent to £1.68m at halfway. At that time the directors stated that provided the buoyancy of orders continued, it was anticipated the full year's result would exceed that of 1976/77 by a satisfactory margin.

The year's profit increase was achieved from sales 25 per cent ahead at £33m, reflecting a further useful improvement in margins.

At the attributable level profits emerge ahead at £1.8m against £1.43m, giving earnings per share up from 14.3p to 18.5p.

The group has interests in fluid transfer and filtration, lubrication systems, garage equipment, combustion engineering. The directors state that all divisions and companies in the group did well, with lubrication systems and garage equipment the outstanding performers. The current year has begun satisfactorily and another year of growth is expected.

	1978 £000	1977 £000
External turnover	32,998	26,452
Trading profit	3,876	2,801
Interest	171	186
Profit before tax	3,705	2,625
Taxation	1,998	1,500
Net profit	1,705	1,325
Extraordinary credits	97	108
Attributable	1,802	1,433
Dividends	506	297
To reserves	1,296	1,136

● comment

Tecalemit's full year results—profits up 31 per cent on sales ahead by a quarter—reflect volume growth of around a tenth. The company says it has gained market share at home while exports, thanks to increased sales of vehicle servicing units to the Middle East and Africa, have matched the group's sales growth. The increase in the number of Government vehicle testing stations has obviously given some boost at home, while garage owners have also been investing in such items as wheel aligners and brake testers to save on labour costs. Also, fleet owners have been turning to the company's lubrication systems to reduce servicing expenses. The shares will no doubt attract a great deal of attention following the company's announcement that it intends to raise the annual dividend payment by 70 per cent. At 137p, this would increase the yield from 4.0 per cent to 6.2 per cent. Meanwhile, the p/e stands at 7.2.

Northern Goldsmiths progress

AN INCREASE from £313,990 to £364,342 in pre-tax profits is reported by the Northern Goldsmiths Company, for the year ended February 28, 1978. Turnover rose slightly from £3.07m to £3.22m.

The final dividend is stepped up from 1.00207p to 1.2369p net making a total of 2.0869p against 1.85207p. Earnings per 25p share are stated at 6.19p (5.41p).

Net profit for the year emerges at £172,563 (£148,920).

FNFC up to £8m midway but outlook uncertain

HAVING RETURNED to profitability in the second half of 1976-77 (with a pre-tax balance of £2.6m) First National Finance Corporation recovered further in the first six months ended April 30, 1978 with a profit of £8.07m.

During the past few years the group has faced a very serious financial position and the directors feel that the progress made must be viewed against the large deficiency for shareholders of £67.7m and the substantial amount of the group's borrowings.

Since the end of the half year interest rates have risen and this bears heavily on the group, they stress. Interest levels also affect prices of properties and consequently a reliable estimate of results in the second half is not possible but present indications are that a profit should be earned. The long term future, however, remains uncertain.

The first-half profit is after charging interest on the income, deferred and subordinated loans amounting to £6.18m. The group profit is increased by tax recoverable of £360,000.

Under the terms of the reorganisation scheme approved on December, 1975, and consequent upon these results, interest now qualifies for payment to the support group amounting to £14.61m and sufficient remittances have already been made to cover this amount. This brings up to date all interest due on income loans and enables £4.32m of interest due on deferred loans to be paid. Total unpaid interest on all loans amounts to £26.09m but no further interest accrues on this sum.

The effect of the profit for the six months is to reduce the net deficiency for shareholders to £67.7m and after deducting this from a total of £91.3m in respect of deferred and subordinated loans the solvency residue now amounts to £23.6m.

Cash generated during the half-year and reductions in liabilities were both ahead of expectations and the group continued to experience the lower interest rates and improvement in the property market which were evident in the latter half of 1977. These were important factors contributing to the improved resuls, the directors point out.

The profit for the half-year includes £4.8m in the consumer credit division which continues to perform well. This profit compares with £8m in the year to October 31, 1977, in which period a loss of £4.87m was shown for the group.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
BAT Inds. ....2nd int.	5.0§	—	4.0	—	13.01
Bremar Trust	1.0	—	0.5	1.5	0.5
Carlton Inds. ....int.	2††	July 28	2	—	5.47
Godfrey Davis ......2nd int.	2.54¶	Aug. 17	2.29	3.31	2.99
Equity Consort	4.79	Sept. 13	3.96	6.77	5.91
Halma	1.4	—	0.69	2.52	1.26
Imperial Cont. Gas 2nd int.	5.81‖	Sept. 8	—	—	8.86
Maurice James	0.5	Aug. 21	nil	1	nil
Leopold Joseph	6.73	—	6.03	8.61	7.8
Nthn. Goldsmiths	1.24	—	1	2.09	1.85
Property Holding and Inv.	4.04	July 25	3.71	6.54	5.91
Renwick Group	1	Oct. 3	—	1	—
Riverview Rubber 2nd int.	4**	Aug. 15	3*	—	10*
SGB ....int.	2.75	Sept. 21	2.5	—	5.25
Sonic	1.46	Aug. 25	1.46	2.32	2.32
Standard Chartered	11.6	Aug. 18	10.33	19.35	17.48
Tecalemit	3.65‡	Aug. 5	1.93	5.47	3.22

Dividends shown pence per share net except where otherwise stated. * Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Proposed subject to ending of limitation on July 31. § Making 9.4p to date (7.5p). ¶ 4p total to be paid if dividend restraint lifted. ‖ Final of 3.444p may be paid for a 13.25p total. ** Malaysian cents throughout. †† In current nine-months period and as forecast under offer.

ISSUE NEWS AND COMMENT

L C P rights to raise £4.2m

LCP Holdings, the property, manufacturing and distribution group, is planning to raise £4.2m by way of a rights issue.

At the same time the company announces pre-tax profits for the year to March 31 of £4.2m, compared with £3.6m on sales £29m higher at £139.4m. The rights issue is of 6,090,396 ordinary 25p shares at 72p per share, on a one-for-four basis. In the market LCP's shares closed 1p higher at 90p.

The new shares do not carry the right to receive a proposed final dividend of 2.79p per share for 1977-78 but, barring dividend controls in force after the current restrictions expire and any "unforeseen circumstances," the directors intend to increase the total dividend in the current year by 14.8 per cent.

Mr David Rhead, the company's chairman, said the rights issue will help strengthen the capital base and the proceeds, together with two additional secured medium-term loans of £3m each, will be used to fund recent acquisitions and capital spending undertaken both last year and in the current year.

Towards the end of the last financial year LCP acquired two vehicle distribution outlets, Newport (Gwent) Motor Company and The Halshaw Group, and HKB Steels (Sheffield) for an aggregate cost of £3.9m in cash and 839,671 ordinary shares.

In addition capital expenditure last year amounted to £5.8m, most of which went towards the continued development of the group's trading estates at Pensnett, Stourbridge and Willenhall, the construction of five new Homecentre stores and the completion of a second tunnel kiln for Stourbridge Brick Company.

This year the company is budgeting for capital spending of £4m which will be used to continue developments on the three Homecentres (£0.25m) and further expand vehicle distribution facilities (£0.75m). No more acquisitions are planned at the moment but now that vehicle distribution has been complemented by four Ford main dealerships, Mr. Rhead says the group will certainly be on the look out for a fifth.

On the current year, the Board says the group has made an encouraging start despite difficult trading conditions in the engineering and metals divisions. The current performance of all three acquisitions is most satisfactory while further new lettings have been obtained at the trading estates and gross rental income for the current year is expected to materially exceed that of last year.

The final dividend is 2.79p, making a total of 4.79p for 1977-78 (4.29).

The Pensnett Trading Estate was revalued at March 31, 1978, at open market value on the basis of its existing use, at £19.7m, representing a surplus of £2.6m over book value.

The issue has been underwritten by J. Henry Schroder Wagg. Brokers are Rowe and Pitman, Hurst-Brown and Smith Keen Cutler.

● comment

As at the time of the last rights issue two years ago L.C.P. is both helping to pay for acquisitions and strengthening its capital base for the future. Certainly the need to approach shareholders is apparent from the balance-sheet—at March this year total borrowings amounted to almost £20m against shareholders' funds of £26.7m. High gearing, however, does not unduly worry the group which sees strong growth prospects over the next few years. Return on capital employed is at present a mere 15 per cent but the target for industrial interests is 25 per cent. LCP has now committed almost £10m for investment, much of it to the trading estates where profits take time to show through. The group is confident, however, that rental income will double over five years.

No profits forecast has been made for the current year and the promised dividend hike is hardly generous. The company is nonetheless confident of a good year, following a disastrous performance by the engineering division last time. With more than £350,000 lost by a Leyland strike at Speke and the consequent difficulties at Coventry, the situation can only get better. At 90p the shares stand on an ex-rights yield of 9.6 per cent.

David Smith returning £1.6m to holders

David S. Smith (Holdings), the photo-litho printers and carton manufacturers, has proposed a reconstruction scheme, which will result in shareholders receiving a cash distribution of 30p that will be subject to, at the most, 30 per cent capital gains tax.

The scheme, which is similar to that proposed about a month ago by W. N. Sharpe, the Bradford-based greetings card company, will involve the distribution of some £1.6m to shareholders.

News of the proposals pushed David Smith's shares up by 11p yesterday to 97p in the market.

Like Sharpe, which announced a cash payment of 70p, David Smith has a strong cash flow position built up in recent years. This has resulted in an accumulation of cash by the company which at April 30, 1977, exceeded £1.6m or some 69 per cent of net tangible assets.

David Smith said yesterday that under normal market conditions the board would have significantly increased the dividend payment. But due to government restrictions on dividends, this was not practical.

As a result, the Board believes that the company's shares are materially under-valued which makes David Smith vulnerable to take-over bids.

The scheme, which is thus also aimed at fending off such bids, would involve the issue of one share in a new holding company and a cash payment of 30p for each existing David Smith's share.

The company also proposed yesterday a second interim dividend of 1.412p which raised the total for the year ended April 30, 1978 to 2.662p. Detailed proposals together with the audited accounts at that date are expected to be released next month.

The company's directors hold a total of 25 per cent of David Smith's issued capital of £1.1m. Mr. David Smith, chairman, accounts for 25.7 per cent while directors Mr. J. Elbery and Mr. W. H. Burdett hold the remaining 3 per cent.

Another substantial shareholder is the Imperial Group Pension Funds which have an interest of 6.3 per cent.

See Lex

Yearlings at 10⅛%

The coupon rate on the local authority one year bonds has risen from 9⅞ per cent to 10⅛ per cent. This week's bonds are issued at par and are dated July 1979.

The issues are: Cygnor Dosbarth Dwyfor (£½m), Wimborne District Council (£½m), Halton Borough Council (£½m), West Derbyshire District Council (£½m), City of Wakefield District Council (£½m), Bracknell District Council (£½m), Western Isles Island Council (£½m), Aberconwy District Council (£½m), City of Glasgow District Council (£1½m), London Borough of Croydon (£1m), Stevenage District Council (£1½m), City of Bristol (£1½m).

Rhymney Valley District Council is raising £½m of 11⅝ per cent bonds issued at par and due on June 24, 1981.

There are two variable rate bonds dated June 22, 1983. City of Aberdeen District Council has issued £½m at par and the London Borough of Richmond-upon-Thames is raising £½m.

EAST ANGLIA WATER £2M

East Anglia Water Company announces that underwriting has been completed for an offer of £2m 7 per cent Redeemable Preference Stock, 1983.

HESTAIR

Hestair's rights issue of 3.6m shares has been taken up as to 90.78 per cent. The balance of 336,811 new ordinary shares has been sold and the excess of 11.55p over the subscription price will be distributed among original allottees.

Over £4m advance for I C Gas

FROM TURNOVER 21.6 per cent higher at £154.54m, taxable profit of Imperial Continental Gas Association rose 18.7 per cent from £22.2m to £26.35m in the March 31, 1978 year. At half-time profit was down from £1.28m to £1.19m.

The result includes investment income of £13m (£10.89m) and is after net interest charges of £0.78m (£0.41m).

Income of £11.12m (£8.53m) from Belgian subsidiary and associate companies is not consolidated, and of the increase, £0.44m is attributable to more favourable exchange rates. The group share of unconsolidated adjusted retentions was £4.35m (£4.39m).

After tax of £8.91m (£6.61m) and minority interests of £211,000 (£135,000) attributable profit came out at £17.22m against £15.46m previously.

The tax charge was reduced £6.18m (£5.07m) by the application of ED 19. Earnings per £1 share are shown at 43.62p (39.02p), and including the Belgian operations at 53.38p (51.36p).

A second interim dividend of 5.806p has been declared and directors intend recommending a 3.444p final at the August AGM, unless Government policy makes it inappropriate. If the final is paid the total will be 13.25p. If not, the payout will rise from 8.86072p to 9.806p.

The group's principal UK subsidiary, Calor Group, lifted turnover 22 per cent to £151.67m and pre-tax profit rose from £8.47m to £10.8m after depreciation of £7.97m (£6.36m).

Good trading results in Ireland contributed to the peak profit. It includes £0.86m on the sale of the assets of Calor Transport International in Germany and provision for an expected loss of £0.67m on the disposal of shares in Ruminant Nitrogen Products Co. in the U.S. Some £1.7m was written off in respect of the conversion of butane cylinders to the more convenient "Switch-on" system. The total cost of this conversion is being spread over four years.

Capital expenditure was 58.9 per cent higher than in the previous year at £25.87m. The major items were additional cylinders, tanks and vehicles to meet peak winter requirements and continuing growth in business.

Turnover at another subsidiary, Century Power and Light, increased 12 per cent to £2.4m. The profit before tax was £1.17m (£0.63m) after charging £0.51m (£0.66m) for depreciation.

● comment

The three major sectors of I. C. Gas all contributed to the strong improvement in its results. The non-consolidated Belgian associates and allied companies overcame very flat demand, particularly for electricity. The higher contribution was boosted by a beneficial currency movement and a claw-back of dividends following the easing of Belgian restrictions but if these are netted out there is still a moderate growth in contribution. The main UK subsidiary, Calor Gas, for the first time in its history did not suffer any gas shortages during its peak selling period. As a result sales revenue was up 22 per cent, sales volume by 20 per cent and profits were substantially better despite an increase in the valve conversion cost write-offs. Century Power and Light, the North Sea gas producer and oil explorer, reported higher profits. If all the distortions are stripped out the growth in profits is in line with market expectations. The share price jumped 17p to 355p following the figures but this was due to a change in rating following indication of a 50 per cent dividend increase if UK restrictions are removed from August 1. The p/e is 8.2 and the yield, assuming the indicated dividend can be paid, is 5.8 per cent. This brings the yield back more in line with the oil sector average, but the rating does not fully reflect I. C. Gas's established record of revenue and earnings growth.

SGB ahead and sees good year

REPORTING PRE-TAX profits ahead from £3,503,000 to £4,432,000 for the half-year to March 31, 1978, the directors of SGB Group say the second-half has started well and another good year is in prospect.

The recent trend of increasing profits at home and declining profits abroad continued during the first-half, the directors report, although there has been an improvement in some overseas companies, particularly Holland.

First-half profits were after lower interest of £727,000 (£940,000). Attributable surplus rose from £1.65m to £2.02m, after tax of £2.37m (£1.81m) and minorities.

Stated earnings improved from 7.8p to 9.7p per 25p share and the interim dividend is stepped up to 2.75p (2.5p) net—last year's final was 2.754p.

● comment

A 27 per cent rise in pre-tax profits is no mean achievement for a construction related company, like SGB, the largest scaffolding supplier and contractor in the UK. But where SGB is scoring over harder pressed competitors is that it has been consistently gaining market share as other smaller concerns have failed. Moreover while new construction work is still depressed the group has had the benefit from refurbishment activity which is fairly buoyant. The strong performance in the UK has more than offset a fall of £200,000 in overseas profits to around £400,000 caused by the difficulty in replacing completed orders with new work. Even so the market is looking for £10m from the group for the full year, which puts the shares at 156p on a prospective p/e of 6.8 and a yield of 5.7. At present levels the shares are attractive.

BANKERS INV. TRUST

Yesterday's heading on the Bankers Investment Trust story was inadvertently abbreviated to Bankers Trust, which is the title of a completely separate U.S. banking group.

Renwick back to dividend after doubling to £1m

AFTER TOPPING the previous full year's result by £9,000 at halfway, *pre-tax profit* of Renwick Group ended the April 1, 1978 year ahead from £0.47m to £1.04m. The group is returning to the dividend lists with a 1p net payment.

Dividends totalling 1.76p net per 25p share were last paid in 1974-75 when an £81,000 loss was incurred. The following year resulted in a £0.65m loss before the recovery last year.

Mr. C. W. Wilton, the chairman, says the experience so far this year indicates that the recovery of the group is continuing.

Turnover for the year was £45.61m (£38.41m) and tax was £114,000 (£36,000).

There were extraordinary losses of £0.61m (£73,000), with write offs of goodwill in the freight division accounting for £0.48m, with *£0.4m of the freight share* arising from the acquisition of the Nuttall Group in 1973-74 by the issue of Renwick shares at a premium.

The financial year of the travel division has been changed from an *October to* a March end, and the previous year's figures have been *adjusted, although this has* not materially affected results.

The *freight* division accounting policy on equalising leasing costs has *been discontinued* with all outstanding balances written off. If the former policy had continued *directors* say there would have been a £55,000 charge (£23,000 *credit*) *for* leasing equalisation. 1976-77 figures have been restated in accordance with ED 19.

Earnings per share after tax are shown at 13.1p (4.3p) basic and 8.7p (4.2p) fully diluted.

	1977-78 £000	†1976-77 £000
Turnover	45,613	38,405
Profit before tax	1,042	470
Tax	114	36
Net profit	928	434
Extraordinary charges	608	73
To minorities	140	236
Pref. dividends	162	64
Ord. dividends	55	—
To reserves	64	361

†Adjusted for ED19

● comment

Renwick is clearly on the road to recovery. Pre-tax profits are more than doubled while the balance sheet has also improved. Gearing has dropped from a ratio of 2:1 against shareholders funds *to just over 1:1*. Net liabilities have been halved and the group has taken the opportunity to reduce goodwill by £475,000 to under £1m.

The trading improvement has been led by the manufacturing division where profits before interest are up around £700,000 at £1½m. This was thanks to a sterling performance by the boat building side which more than offset a small loss on caravans. Boats may be harder to sell in the current but there are signs that the caravan business is significantly increasing market share aided by the launch of ten new models. Continued progress from manufacturing and reduced losses from freight are the key to further recovery in the current year. Last year freight losses doubled to £½m but half of this was due to closure costs against the international forwarding division. In the current half the freight side may be *approaching* break-even following reorganisation last year. *Meanwhile* with the return to the dividend lists widely expected the shares remained unchanged at 45p where the yield is 3.4 per cent and the p/e 5.

BOARD MEETINGS

The following companies have notified dates of Board meeting to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available whether dividends concerned are interims or finals and the sub-*divisions shown below are based mainly* on last years timetable.

TODAY

Interims—Bett Bros., Blundell-Permoglaze, *C.G.S.B., Hardys and Hansons,* M and G Dual Trust, Norfolk Capital, *Trust Houses Forte.*

Finals—Allen (Edgar) Balfour, BPB Industries, Chubb, Electrocomponents, Gresham House Estate, Hicking Pentecost, MK Electric, South Crofty.

FUTURE DATES

Interims:—	
Anglo-American Securities	July 5
Birmid Qualcast	July 19
Birmingham Pallet	July 6
Blackman and Conrad	July 6
Brenmall Beard	July 3
Derritron	June 30
Dewhurst and Partner	July 14
Habit Precision Engineering	July 5
St. Andrew Trust	*July 20*
Winterbottom Trust	July 4
Finals:—	
Braithwaite Engineers	July 6
Brotherhood (Peter)	July 18
Cropper (James)	June 30
Distillers	July 13
Dowty	July 19
Fodens	July 20
Kinta Kellas Rubber Estates	July 6
Kleen-E-Ze	July 3
London and Midland Industrials	July 2
Pullman (R. & J.)	July 27
Ropner	July 3
Routledge and Kegan Paul	July 5
United British Securities Trust	July 11
Wood (S. W.)	July 12

£0.55m loss by Caird Dundee

A SECOND-HALF deficit of *£113,825 against £55,931 left Caird* (Dundee), the space dyeing and carpet printing concern, with its pre-tax loss increased from £218,612 to £546,201 for the year to March 31, 1978.

When reporting a higher first-half loss of £432,876 (£162,881), the directors said that in order to improve liquidity and to enable the company to operate within resources, it was necessary to reduce substantially its manufacturing activities.

This would entail *drastic* reduction in overhead costs which *should* stabilise the position so that advantage could be taken of *any improvement in demand*

These measures were completed by the year-end and the full benefits resulting therefrom are now being felt, they now report.

Turnover for the year was *marginally down* at £5.02m against £5.09m, while loss per 25p share is shown at 10.2p (1.9p). Again *no dividend is to be paid*—the last payment totalled 1.948635p net *in respect of 1974-75.*

Pre-tax loss was struck after depreciation of £235,817 (£185,116). There was a tax credit of £274,396 (£168,901) leaving net loss up from £49,711 to £271,805, before an extraordinary item of £23,220.

Sears off to good start

THE CURRENT YEAR had started very well in most of Sears Holdings *retail activities, particularly* for footwear and Miss Selfridge. There were still problems in certain engineering businesses, but all being well this division was *aiming at becoming profitable* this year.

This was stated by the chairman, Mr. Leonard Sainer, at the annual meeting. On the overall prospects, he said: "I am confident that we shall improve on *the results of the previous year.*"

Referring to the Price Commission Report, he said the recommendation that footwear multiples should cut gross profit margins would mean for Sears a cut of just over 1 per cent. "We have *accepted the recommendations in* principle and are now working on the best means of achieving them to the advantage of the general public and to ourselves by obtaining increased overall profits from a higher turnover, which we are *confident* we will obtain."

Slow start by Guthrie

Several key companies in the Guthrie Corporation have got off to a slow start in the current year and while profits for the whole of 1978 may not match the record levels of 1977 Sir Eric Griffith-Jones, the chairman, says that present *indications* are that they will be satisfactory.

He explains that the below average oil-palm crop which *affected* the final quarter of 1977 continued in the first quarter of *1978; conditions in the UK carpet* industry have not improved greatly: and North America has also had a sluggish first quarter. However, the chairman reports that there are signs of improvement in most sectors.

In 1977 group pre-tax profit expanded from £13.27m to *£19.68m. Kumpulan Guthrie and* Guthrie Ropel showed exceptionally good results. Operating profits from the plantation interests increased from £11.2m *to £19.1m.*

Crop levels were high for the first nine *months of the year* but they dropped away in the last quarter. The market for rubber *remained very stable throughout* the year, and although palm oil *prices fell in the second half they* proved less volatile than had been expected.

The chairman says that a further substantial write-down in respect of slow-moving stock and doubtful debts of Guthrie *Engineering* (Malaysia) and Guthrie Trading (Malaysia) has had to be *made* and *he is* satisfied that the provisions are now adequate.

At the year end there was a decrease in bank advances of £11.53m (£10.61m increase). Bank advances stood at £23.95m (*£34.89m*) and cash, etc., *amounted* to £7.68m (£7.09m).

During the year an ex gratia award of £84,000 was made to a *director on his retirement from* executive office.

Meeting, 20, Aldermanbury, E.C., July 19, at noon.

Equity Consort

After tax of £153,406 against £135,905, revenue of Equity Consort Investment Trust expanded from £240,376 to £281,253 for the *year to April 30, 1978.*

A final of 4.765p net lifts the *total payment from* 3.91p *to* 6.765p per £1 ordinary share and *the dividend per* 50p deferred share is stepped up to 3.61p (3.96p)—the directors intend to take account of any reduction in the rate of ACT.

Tax and interest erode BAT earnings

MAINLY REFLECTING heavier interest and tax, net earnings of BAT Industries for 1977-78 are *expected to fall slightly short of* the £210m achieved in the *previous year.*

In the six months ended March 31, 1978, group operating profit showed an increase of 4 per cent to £252m, but after interest and tax the attributable balance comes through lower at £101m against *£106m.*

The directors state that the improved operating result arises through maintenance of good results in the tobacco division, better performance in U.S. retailing interests and in the cosmetics *division, offsetting a reduction in* paper profits in the face of low *growth in world trade.*

In the second half sales of tobacco products are expected to *increase* at the *same rate* as in the first six months but the *directors explain that operating* profit will be adversely affected in Europe by higher costs and in the U.K. by domestic launch expenses and lower profitability in exports, so that for the year as a whole profits are expected to show a *small* increase.

Despite the effect of competition *on International Stores* better gross margins at Gimbels and Saks *should* lead to *higher* operating profits for the retail division. The acquisition of Alliance wholesale grocers in the UK this month will strengthen considerably the cash and carry business of Kearley and Tonge.

In the paper division; the *existing* business is expected to repeat the results of the first half year to give a small improvement *over the year as a whole,* despite some plants running well below *capacity.*

The proposed acquisition of the Appleton paper division of NCR in the U.S., announced last month, is expected to be completed shortly and this should bring some benefit, net of interest charges, in the last quarter

The *cosmetics* division expects to be able to maintain the profit *improvement achieved through to* the year-end.

In summary, and subject to exchange rate movements, the directors expect that the operating *profit overall for the year* will show a rate of increase comparable to that achieved *in* the first half but that this will be eroded by increased interest and by higher tax.

A second interim dividend of 5.0p *is* declared taking the total to date up to 9.4p against 7.5p. The directors point out that the increase is within present legislation but if dividend limitation is maintained then the final may have to be restricted. *For 1976-77 a total of* 13.01p was paid.

Commenting *on the* tobacco division the directors state that cigarette sales volume increased at a greater rate than in the previous year. In the U.S., domestic sales and profits declined marginally, but were partially offset by *improved results from exports.*

In Europe, Germany increased *its domestic and export volumes,* resulting in improved profits. In the rest of Europe, volume grew but profits suffered because price increases were insufficient to cover higher costs. Exports from the U.K. continued to progress but profits were adversely affected by the influence of exchange rates on export prices and the initial introduction expenses.

In the U.S. sales in Saks stores grew substantially. *Gimbels* benefited from the buoyant Christmas season, but poor weather in the spring adversely *affected sales* which are marginally down. Overall, there was an improvement in profits.

In the U.K., action taken by International Stores to maintain sales volume and market share has been successful but at the expense of trading profit in the short term. The decline in trading profit has been offset by property profits realised in the course of the stores redevelopment *programme.*

On the paper side the overall *volume of Wiggins Teape sales* has shown little increase. Profits, though higher than in the half year ending September 30, 1977, have not fully recovered from the *more difficult* market situation which developed in mid 1977.

Mardon Packaging experienced slightly less buoyant trading conditions in the first half but, due in part to the purchase in the U.K. of the Cundell packaging group sales increased over the corresponding period of last year *by 16 per cent to £153m* with a comparable improvement in profits.

The amount to be retained for inflation out of net profit attributable to BAT Industries for the half year is estimated at £32m (*£25m*).

Taxation in the half year com*prises: UK tax on income £7m* (£17m): unrelieved ACT £2m (nil): overspill relief, nil (debit £1m): overseas tax £78m (£63m); deferred tax £21m (£16m).

Lower UK profits have led to a reduction in the UK tax charge offset to some extent by an increase in tax on dividends *received from overseas. UK profits* were insufficient to absorb the *whole of ACT so that £1.9m was* unrelieved.

Overseas and deferred tax has increased, partly in line with profits but also because in the previous period the tax charge was unusually low for various reasons but mainly a change in method of capitalising reserves in Germany. Full provision has been made for deferred tax on the same basis as hitherto. In the light of ED 19, this practice is being *reviewed and any change will be* made at the year end.

See Lex

SGB — SGB GROUP LIMITED

INTERIM REPORT

The unaudited Group profit before tax for the half year amounted to £4,432,000 compared with £3,503,000 for the same period last year. Turnover was £42.8m compared with £37.5m last year.

The directors have announced an interim dividend of 2.75p per share which will be paid in full on 21st September, 1978, to shareholders on the register on 24th August, 1978.

This compares with an interim dividend of 2.5p per share paid last year, and is the maximum increase allowed under present Government restrictions.

The recent trend of increasing profits at home and declining profits abroad has continued during the first half of this year although there has been an improvement in some overseas companies, *particularly Holland*

The second half has started well and another good year is in prospect.
N. L. Clifford-Jones,
Chairman.

GROUP EARNINGS

	Half Year to March 1978 £'000	Half Year to March 1977 £'000	Year to Sept. 1977 £'000
Turnover	42,831	37,537	79,736
Group profit before interest and taxation	5,133	4,419	9,836
Interest and Dividends	26	24	164
	5,159	4,443	10,000
Interest Charges	727	940	1,753
Profit before taxation	4,432	3,503	8,247
Taxation on profits:			
Current	1,497	1,499	1,685
Deferred	875	306	2,314
	2,372	1,805	3,999
Profit after taxation	2,060	1,698	4,248
Minority Interests	44	51	137
	2,016	1,647	4,111
Interim Dividend	596	518	1,088
Pence per share	2.75p	2.5p	5.254p
Earnings per share			
Basic	9.7p	7.9p	19.9p
Fully diluted	9.1p	7.3p	18.1p

Bardon Hill Group Limited

ANNUAL RESULTS

Year to 31 March	1978 £000	1977* £000
Sales	13,104	10,492
Profit before Tax	1,204	977
Profit after Tax	561	405
Per Share—Earnings	*18.4p	13.7p
Dividends Gross	12.0p	4.0p
Net	7.9p	2.6p

*Adjusted to reflect group consolidation.

Points from the statement by the Chairman, Mr. J. G. Tom

- Record year for Group. Profits exceed forecast made at time of going public.
- All main divisions contributed to 23.2% increase in pre-tax profits.
- Current year has started well. Further increase in group profit anticipated.

The Company's shares are traded on The Over-the-Counter Market. Details of this market together with copies of the full Report and Accounts are available from K. J. Cure, Bardon Hill Group Ltd., Bardon Hill, Leicester LE6 2TL. Telephone Coalville (0530) 36226.

MINING NEWS

S. Africa's advancing mineral exports

BY KENNETH MARSTON, MINING EDITOR

DESPITE THE depression in prices of several base metals South Africa's mineral sales were boosted by higher gold prices last year and rose 23.1 per cent in value to a new record of R5.53bn (£3.46bn), thus playing a major role in the sharp improvement that took place in the Republic's balance of payments and the economic recovery that now appears to be taking shape.

In his presidential address to the Chamber of Mines of South Africa yesterday Mr. L. W. P. van den Bosch added that the current year should bring a further expansion in earnings from mineral exports. He pointed to the higher prices being received for gold, uranium, copper, diamonds and platinum.

He also commented on the steady expansion in coal exports and the start of exports of rutile, zircon, titanium slag and iron from the new port of Richards Bay. Coal is being shipped from the port at a rate of 12m tonnes a year and in 15 months' time rail and harbour capacity will be increased to 20m tonnes.

But Mr. van den Bosch warned of the mineral industry's rising pressure of costs. In the case of gold producers he pointed out that costs per tonne of ore milled have climbed by over 100 per cent in the past four years: "The consequence has been that over this period the increase in working costs has neutralised the benefit of the higher gold price."

For many gold mines, however, there has also been a rising revenue from sales of uranium. On the basis of present uranium prices, new business concluded by South Africa's mines during the past year is of the order of R1.3bn and the capacity of the uranium-producing industry "will continue to increase to a level substantially higher than at present."

Mr. van den Bosch criticised the tax surcharge payable by gold and diamond mines which is still 2.5 per cent higher than that applicable to other companies and pointed out that total payments to the State by gold mines can now run as high as 75 per cent of profits. In addition, South Africa's sales tax, which is due to be introduced next month, will affect a substantial proportion of mine stores.

Productivity at the gold mines has declined in recent years with matters not being helped by the white miners' shorter 11-shift fortnight. There is also a chronic shortage of competent miners in the industry generally and Mr. van den Bosch echoes other mining spokesmen in calling for more advancement of African labour.

Real progress on the part of Government and trades unions in the removal of racial barriers to employment still has to be translated into fact. Mr. van den Bosch warns: "It is clear that cost escalation in the absence of progressive relaxation of the restrictions on the more productive employment of labour can only lead to the destruction of the mining industry."

Mt. Lyell will close unless aided further

MOUNT LYELL MINING will close its copper operation in Tasmania unless it receives an assurance of continuing Government aid beyond June 30, when current Commonwealth Government support is due to expire.

This message was conveyed in a telegram to the Commonwealth Government signed by Mr. Charles Copeman, the Mount Lyell chairman, and published yesterday.

The company's Board intends to call a meeting on June 30, at which a resolution will be put to close the mine.

Mr. Copeman's telegram was accompanied by another from Mr. Neil Batt, the Tasmanian Deputy Premier. This said that Consolidated Gold Fields, Mount Lyell's parent company, had advised the Tasmanian Government that Mount Lyell would have to rely on a subsidy for the next two years.

The State Government is prepared to match every two dollars of Commonwealth Government aid with one dollar of its own up to a total of A$2m (£1.24m).

So far the Commonwealth Government has provided Mount Lyell with a gross A$4.8m of aid in accordance with interim recommendations from the Industries Assistance Commission.

The period covered by this aid runs out at the end of the week and the Commonwealth Government, waiting for a definitive AIC report on the copper industry, has not yet made clear its policy towards Mount Lyell. In Canberra it is expected that some statement will be made in the next few days.

Gold Fields' attitude towards Mount Lyell, which had an operating loss in the year to June 1977 of £6.9m is not in doubt. It has written-off its investment and the mine remains "open only with the aid of substantial help from both the Tasmanian and Federal Governments," as Lord Erroll, the chairman put it in the last annual report.

A further threat of closure is therefore no surprise. Despite its uncertain future, Mount Lyell has shared in the recent firmness of Australian mining stocks on the markets and yesterday its price was unchanged at 30p.

CVRD STEPS UP WORK ON URUCUM MANGANESE

This year Companhia Vale do Rio Doce (CVRD) expects to extract 150,000 tonnes of manganese ore from the Urucum reserves in the Brazilian state of Mato Grosso, compared with 80,000 tonnes in 1977, writes Diana Smith from Rio de Janeiro.

The reserves are being worked on an experimental basis while intensive geological and technological surveys are carried out. The Urucum ore has a low silica and alumina ratio, which is to its advantage, but its high rate of acidity means it has to be mixed for export.

Although the Urucum reserves were originally estimated at 50m tonnes, there are signs they could be as much as 200m tonnes, which would be just under half of Brazil's current reserves. Nearly two thirds of the total reserves are in Mato Grosso state.

Brazil's consumption of manganese is about a third of annual domestic production of 1.5m tonnes. Half of the balance for export goes to the U.S., but the exports comes from reserves in Amapa state and they are now running out.

Madawaska and Agip settle price row

MADAWASKA MINES, the Canadian uranium producer, has resolved its differences with Agip, the Italian state energy agency, and settled a price for uranium oxide sales covering 1977, 1978 and 1979.

A statement issued by Madawaska said the price would be C$42 (U.S.$37.29) per pound with an escalation clause for next year based on the movement of Canadian labour and commodity indices from a based established this month. The price is subject to a 5 per cent commercial discount.

Agip has a long-term contract with Madawaska for the purchase of 26m lb of uranium oxide, but the amount covered by the present price agreement is about 1.5m lb.

The price level established is the minimum the Canadian Atomic Energy Board was prepared to accept in the execution of Government policy that delivery prices should be at the prevailing level ruling in the international market. Spot contracts have recently been signed at U.S.$43.40, according to Nuclear Exchange Corporation in the U.S.

The Madawaska price is markedly less than the price settled between Rio Algom, another and larger Canadian producer, and Tennessee Valley Authority. This was U.S.$45.42 a pound for 1979 delivery.

Following current Canadian practice, Madawaska and Agip negotiate a price annually. In the event of disagreement an independent arbitrator is called in. He recommended U.S.$30.50 a pound, but this was not acceptable to the Atomic Energy Board.

Agip contested the Board's power to supervise the price and took the case to the Federal Court of Appeal, which ruled against it last month. Yesterday's agreement is apparently a consequence of this ruling.

Madawaska started producing uranium at Bancroft in 1976. It is 51 per cent owned by Federal Resources Corporation of Salt Lake City and 49 per cent by Consolidated Canadian Faraday of Toronto.

Wm. Press set for expansion

THE CONTINUING development of experience and technology of William Press and Son, especially in all aspects of energy and related fields together with the wide range of services and products offered, will enable the group to take advantage of the many opportunities coming forward, Mr. W. A. Hawken says in his annual report.

He is confident these factors will ensure the further improvement of the group's trading results.

With the exception of certain mechanical construction work in the Middle East, all the group's markets are active.

The group is perhaps fortunate that where downturns do occur it is so broadly based that they are offset by improved conditions elsewhere and the group has entered 1978 with a strong order book, says Mr. Hawken.

For 1977, profits before tax rose 30 per cent from £7.39m to £9.56m despite the need for a further loss provision of £1.6m on the transmission side of the recently acquired James Scott, a substantail part of which has had to be charged against earnings for the year.

The total dividend is 0.8375p (0.75p equivalent). The large cover of the dividend coupled with substantial cash balances will enable consideration of higher dividend payments when restrictions are lifted, the chairman says.

Tansley Witt and Co, the auditors, have qualified the accounts, referring to the investigation carried out by the Inland Revenue into certain tax matters in relation to the company. The outcome is not yet known, they say, and in view of this uncertainty, they are unable to express an opinion as to the amount of the liability, if any which may arise, although "we have no present information which would lead us to disagree with the view of the company."

The directors say in a note to the accounts that no past unpaid tax liability is admitted by the company, but if a view was to be taken of matters now thought to be under review, the overall cost would seem unlikely to exceed £2m.

Mr. Hawken tells shareholders that to the best of the knowledge of the company, the investigation mainly relates to the past use of certain labour only subcontractors.

The directors regard the Revenue inquiry with concern, he says. "However, it is their view that if ultimately there were found to be any claims for past taxation, which are not admitted, then it should be possible for these to be met out of company funds, without undue difficulty."

Group turnover rose from £158m to £196m, an increase of 24 per cent which was well spread over most operations.

Exceptionally good results were achieved by manufacturing, engineering and UK contracting companies, but some overseas contracting in the Middle East was adversely affected by lack of continuity of work, resulting in under recovery of overheads and support costs.

The balance-sheet reflects the larger volume of turnover undertaken during the year, with debtors, creditors and work in progress all showing an increase over the previous year's figures, the chairman says.

The overall increase in the use of money on these items, together with the payment of last year's tax liability of £4m and net additions to fixed assets of £4m, has caused some drop in cash balances.

However, this fall is of a temporary nature and should be made good fairly rapidly since tax deferment on this year's profits will result in a relatively low tax payment in 1978, thus giving a good cash flow.

The group's entry into the offshore hook up, commissioning and maintenance market caused part of the increase in fixed assets with the establishment of a new depot at Aberdeen while elsewhere the increased workload has necessitated additions all round in premises, plant and machinery.

Meeting, The Inn on the Park, W., July 27, at 11.30 am.

Today's company meetings

Bank and Commercial, Great Northern Hotel, N., 11. Border Breweries, Wrexham, 12. British Home Stores, 129-137, Marylebone Road, N.W., 11.30. Central and Sheerwood, Hyde Park Hotel, S.W., 12. Crowther (John), Huddersfield, 12. De Vere Hotels and Restaurants, Connaught Rooms, W.C., 12. Feedex, Burstwick, North Humberside, 6. Glossop (W. and J.), Hipperholme, Halifax, 11.30. Lee Cooper, Cafe Royal, W., 12. Scottish Heritable Trust, Glasgow, 12. Shaw (Francis), Manchester, 2.30. Sheffield Twist Drill and Steel, Sheffield, 12. Tootal, Manchester 12. Trust Union, 77, London Wall, E.C., 2.30.

Property Holding moves to £2m

FROM GROSS revenue of £2.83m compared with £2.6m, taxable revenue of Property Holding and Investment advanced from £1.77m to £2m in the March 31, 1978 year.

After tax of £1.03m (£0.93m) net revenue came out at £0.97m (£0.85m) and directors expect that in the next few years net revenue will show average annual growth of more than 10 per cent before charging the cost of modernisation and exceptional repairs. In the coming two years these are expected to total some £0.7m after tax relief.

They also expect to continue increasing dividends by 10 per cent a year although the increases may not be covered by earnings in the current year. The shortfall is however amply covered by revenue reserves of £1.4m, they say.

An abbreviated balance sheet shows properties and investments in associated property companies at £36.7m (£36.01m), but a revaluation made by the managing director with the concurrence of Allsop and Company has resulted in a directors valuation of £54.2m, for a net asset value per 25p share of 398p.

Three development properties were completed during the year and are now, or will shortly be, income producing. Remaining development sites are valued at £1.7m.

The directors are continuing to seek to improve the potential of the group's existing portfolio—in both income and value — by projects involving modernisation and major repairs.

Net current liabilities at balance date were £2.04m (£1.82m) but directors say quoted investments, cash and short term deposits of £3.9m provide liquid resources more than adequate to meet property outgoings and the currently authorised capital expenditure of some £3m, after taking into account sales of flats which are continuing at a high level.

Earnings per share are given at 8p (6.97p) and a final dividend of £4.037p net lifts the total for the year from 5.908p to 6.537p.

	1977-78 £000	1976-77 £000
Gross property income	3,261	3,169
Property outgoings	736	879
Other income	335	306
Gross revenue	2,860	2,396
Interest	610	618
Administration expenses	219	204
Revenue before tax	2,001	1,774
Tax	1,032	929
Net revenue	969	845
Realised net cap. surpluses	719	1,107
To capital reserves	719	1,107
Pref. dividends	16	16
Ord. dividends	783	687
Unappropriated revenue	168	152

Tranwood shows improved trading

Including temporary employment subsidy of £143,066, against £182,181, Tranwood Group returned to profits in the year ended January 31, 1978, with £62,029 pre-tax. In the previous year the loss was £126,138. However, there is an attributable loss of £42,692 (profit £13,038) and again there is no dividend. The group is engaged in printing and packaging.

Profits ahead at Leopold Joseph

Net profit, after all charges, of Leopold Joseph Holdings rose from £606,413 to £666,161 in the year ended March 31, 1978. Attributable profit was £550,593 against £528,127.

A final dividend of 6.733p per £1 share makes a total of 8.608p compared with 7.8p previously. Earnings per share are stated at 20.95p (20.09p).

Century Oils now ready to resume growth

THE SETBACKS of the previous year have been overcome and Century Oils Group is ready to resume growth in activities, Mr. C. H. Mitchell, the chairman, says in his annual statement. It is anticipated that the progress seen in the second half of last year will be maintained in the current year.

For all last year, pre-tax profit declined from £1.3m to £1.15m after a £0.21m first-half shortfall. Mr. Mitchell says that in the March 31, 1978, year the continued depressed level of industrial activity resulted in a static market for lubricants and a surplus of basic lubricating oils and associated products.

The company gave priority to its traditional activities and concentrated on improving efficiency and containing costs. The policy remains to develop business in the higher technology areas and to continue to provide specialised supporting services.

On the waste oil collection and recycling side, it is not expected that the full benefits from its activities will be realised until the expected shortage in basic lubricating oils emerges as a result of an increase in the general level of industrial activity. Further capacity increases are meanwhile being delayed, although research and development is continuing.

He says good progress is being made developing overseas activities with particular attention being given to countries with substantial mining activities and those concerned with improving industrial health and safety.

Directors expect to make further investments as suitable opportunities to back up the overseas activities arise.

Increased overseas efforts will benefit from the technological expertise developed in the UK, he says. Research and development are being stepped up and should lead to business in new specialised markets.

A current cost statement shows taxable profit reduced to £1.01m by additional depreciation of £225,000 and cost of sales of £21,000, offset by a £105,000 gearing adjustment.

At balance date, fixed assets were £5.53m (£4.53m) and net current assets £3.61m (£2.99m).

Meeting, Stoke-on-Trent, July 20, at noon.

Bowater to cancel branch registrations

Bowater Corporation is cancelling all three of its branch share registrations—in Toronto, Montreal and Hong Kong—and will transfer shareholders on those registers to the central register.

It will, however, maintain its quotations in New York, Zurich and four other European centres where its shares are sold "over the counter."

The company explained yesterday that the costs of maintaining the branch registers was no longer warranted. There are believed to be under 2,000 shareholders on all three.

The Canadian registers date from the immediate post war years when the Cornerbrook and Millwater Mersey Mills were established. The Hong Kong quote dates from 1972 when Bowater took over Ralli Brothers.

Now, the company says, the ease in buying shares internationally makes branch registers unnecessary. The Canadian quotes will cease on August 11 and that in Hong Kong on August 31.

BET Omnibus turns in £6.6m

For the year ended March 31, 1978, turnover of BET Omnibus Services increased from £31.45m to £35.86m and pre-tax profits were higher at £6.64m against £4.94m previously.

The group, with interests in plant hire, transport, marine, engineering etc., is controlled by British Electric Traction Co.

Earnings per £1 share for the year are stated at 39.47p (36.46p) and a final dividend of 6.85p makes a total of 9.35p against 8.5p.

Control Securities

IN HIS FIRST statement as chairman of Control Securities, Mr. R. H. Van Doninck says that the newly constituted board has produced positive results sooner than it dared to hope.

As reported on June 22, the property group achieved a turnround from a pre-tax loss of £94,374 to profits of £43,681 in the year to March 31 on turnover of £540,912 (£250,004).

On January 18, 1978, 2,625,000 new ordinary shares of 10p each were issued to Labofund AG for cash at a premium of 10p per share in accordance with the terms of the agreement dated October 22, 1977, between Mr. C. H. Rapport and others, the company and Labofund AG.

Consequent upon this agreement, Labofund AG has acquired 3,480,424 ordinary shares of 10p each and 194,576 deferred shares of 10p each in the company representing 59.8 per cent of the total shares in issue.

In addition, Labofund AG has purchased from the company its freehold property, The Exchange, Cardiff, for £950,000.

At the EGM in December the Board decided on three major objectives. To expand the capital base of the group, reduce current liabilities and the attendant interest, and to acquire long term borrowings at a low rate of interest. The chairman now feels these objectives have been achieved.

Current liabilities have been reduced by profitable sales of property. The group now has a two year facility of £1m with Slavenburg's Bank at favourable interest rates with an option to renew. So far the greater part of this facility is unused.

The Board is giving urgent attention to remedy the losses of their Dutch subsidiaries, although their importance is minimal in relation to the total size of the group and the fact that there are no guarantees to the subsidiaries.

The group total portfolio is in excess of £2.1m and a professional valuation of UK £1.05m investment properties has thrown up a surplus of £96,000 over book value. The expense of revaluing the development and dealing properties was considered unnecessary since these assets are constantly changing as sales and purchases occur.

In the last 12 months all disposals made by the group have shown profits. A move into new offices at Cardiff has contributed to streamlining the group's administration. Contained in a programme of rationalisation of the group's assets are many propositions to be examined, members are told.

Expansion will come about through acquisitions, new developments and fees earned from the portfolio and development management division. "The figures are certainly encouraging," concludes the chairman, "and give much hope for the future. We look forward with confidence, in spite of an economic situation that is still bleak but showing definite signs of recovery."

Meeting, Winchester House, EC, on July 17, at 12.15 pm.

● NEWS ANALYSIS—THE FOURTH DIRECTIVE

First of the heavies

BY MICHAEL LAFFERTY

Late last night the EEC council of ministers approved the fourth company law directive, a regulation which is intended to go some way towards harmonising the content of company accounts throughout the community. Negotiations on the proposal have dragged on for about a decade. But once the foreign ministers give their approval member states, including the UK, will be obliged to bring any necessary changes into British company law within two years. There is a further 18 months allowed for such legislation to take effect.

There can be no doubt that there is a great need to harmonise company laws within the EEC. Indeed, it is regarded as one of the most important steps towards the achievement of that EEC ideal, a free internal market. The fourth directive is only one of a lengthy series of harmonisation measures in this field. So far only two directives have been approved, the last being the second which lays down minimum capital requirements for public and private companies, and requires each company's name to indicate whether it is public or private. Oddly enough, Britain is already in breach of its obligations to implement this directive, though legislation seems likely in the next session of Parliament.

In EEC terms, however, the fourth directive is the first of the heavies. It has already had a considerable impact on countries such as Belgium and Denmark which have recently introduced new company laws with its main provisions in mind. Italy and Luxembourg are countries where company laws will still have to alter significantly as a result of it being approved. The impact on the UK will not be so important as in these countries.

The main change will be in the introduction into UK company law of a great deal of prescriptive detail about what shall be in company accounts. But the total sum of additional information which UK companies will be required to publish "will not be all that great," according to Mr. Tom Watts, the Price Waterhouse partner who advises the Department of Trade on company law matters. He forecasts, however, that implementation of the fourth directive will be "administratively tiresome" for almost all companies.

What the UK regards as tiresome detail is the very fabric of company law in a country such as Germany where traditionally if something is not in the law it is not done. Hence the prescriptive approach of the fourth directive which is largely based on Germany's 1965 Corporation Law. In fairness, the British negotiators have achieved significant amendments to the draft which has now been agreed. Most important probably is the insertion of a requirement that accounts must "give a true and fair view" rather than, as in Germany, simply comply with the law. Indeed it is now specifically stated that where compliance with the law is not enough, directors must do whatever else, they consider necessary for the accounts to give the necessary view.

The most obvious change as far as Britain is concerned will probably be in the form in which companies present their accounts. The directive prescribes two balance sheet layouts—one horizontal in the old left and right hand style and one vertical, and four formats for the income statement. Apart from the option of vertical or horizontal presentation, the choice is between a profit and loss account analysed either by type of expenditure (for example: wages) or type of operation, for example, distribution costs.

Of course it is left to individual member states to restrict the number of options allowed for in the fourth directive, for example by legislating for one of the p and l layouts. Again, it would be possible to lay down lower limits—but not higher ones—for the definitions of small, medium and large companies than those specified.

The maximum sizes for each category of company are as follows:

Small: Those with two of the following—balance sheet totals up to 1m units of account (£670,000); turnover up to 2m units of account; up to 50 employees.

Medium: Those with two of the following—balance sheet totals up to 5m units of account; turnover up to 8m units of account; up to 250 employees.

The size categories are important because companies falling within them are intended to get exemptions from various disclosure requirements. In the case of small companies, for example, there could be exemption from an audit, publication of a profit and loss account, and permission to publish only a brief balance sheet. The principal exemption for medium-sized companies would be exemption from publishing turnover figures, and the right to publish a slightly abbreviated balance sheet.

Finally, it should be noted that the fourth directive does not apply to consolidated accounts. However, it seems clear that if the directive is to have any meaning in the UK it will have to be applied directly to consolidated accounts.

EXAMPLE OF PROFIT AND LOSS LAYOUT

Net turnover	xxx
Production cost of sales accounting for turnover (including value adjustments)	(xxx)
Gross profit or loss from turnover	xxx
Distribution costs (including value adjustments)	(xxx)
General administrative expenses (including value adjustments)	(xxx)
Other operating receipts	xxx
Earnings from participating interests, showing separately those from affiliated undertakings	xxx
Earnings from other securities and financial assets forming part of the fixed assets, showing separately those from affiliated undertakings	xxx
Other interest and similar earnings, showing separately those from affiliated undertakings	xxx
Value adjustments in respect of participating interests and other financial fixed assets and of securities forming part of the current assets	(xxx)
Interest and similar charges, showing separately those concerning affiliated undertakings	(xxx)
Tax on profit arising out of ordinary activities	(xxx)
Profit or loss on ordinary activities after tax	xxx
Extraordinary earnings	xxx
Extraordinary charges	(xxx)
Extraordinary profit or loss	xxx
Tax on extraordinary profit	(xxx)
Other taxes not shown under the above items	(xxx)
Profit or loss for the year	xxx

BIDS AND DEALS

Cement Roadstone agrees £6.6m for U.S. builders supplier

Cement Roadstone, the Irish group, has lifted its spending on acquisitions to over £12m in the past fortnight with the announcement that it has agreed a $12.2m (£6.6m) cash bid for Amcor Inc., a Loss Angeles construction materials concern.

Earlier this month CR revealed that it was making an agreed £5.6m offer for J. and W. Henderson, the Aberdeen-based builders merchants. The bid has the backing of the major shareholder, London and Northern, which has a 34.6 per cent stake.

Amcor is a subsidiary of Diversified Earth Sciences of California and the agreed acquisition is subject to DES holders approval and consent from the appropriate regulatory bodies.

CR, Ireland's largest industrial company with pre-tax profits of £14.8m has for some time been seeking to extend its activities outside of Ireland. Currently the group earns only 15 per cent of its profits overseas.

Amcor which CR says is a leading producer of masonry blocks and low pressure concrete pipes, earned pre-tax profits of $2.45m (£1.3m) in the year to October 31, 1977, on sales of $18.8m (£10.2m). Net tangible assets at that date were $8.5m (£4.6m).

The acquisition is planned to take effect from November 1.

It was also announced yesterday that Rowe and Pitman, Hurst-Brown on June 26 bought for a discretionary investment client 2,080 Cement Roadstone shares at 81p.

DEL MONTE KITCHENS

Del Monte Kitchens of Bellshill (Glasgow), a manufacturer of high-quality frozen food entrees, has agreed to sell its business to Ross Foods with effect from July 1, and will cease trading from that date. It is a jointly owned subsidiary of Del Monte Foods and Scottish and Newcastle Breweries.

Ross Foods will carry on production at the Bellshill plant and continue to supply the full range of products. The marketing, sales and distribution activities will be integrated within the existing Ross Foods framework.

GALLIFORD ACQUIRES PRECISION ENGINEER

Galliford Brindley has recently completed the purchase of S. C. Brown and Co. Brown is substantially a holding company and its wholly owned subsidiary Brownscov Precision Engineering carries on a precision engineering business in the Coventry area. Consideration for the acquisition was £750,000 in cash paid on completion and a further £100,000 in cash is payable to the vendor on or before September 30, 1979. Provided net profits of Brown and its subsidiary before tax for the 12 months ending June 30, 1979, amount to not less than £200,000. As as September 30, 1977, consolidated net assets of Brown and its subsidiary amounted to £481,486 after providing for deferred tax of £126,250. The consolidated profits of Brown and its subsidiary for the year to September 30, 1977, amounted to £191,046.

LADBROKE

Ladbroke Group has acquired for £1,125,000 cash a 75 per cent holding in Chalwest (Holdings) and an operating partnership. Chalwest supplies coin operated machines to major companies in the brewing and catering industries. Profits before tax of the businesses for the current year are expected to exceed £500,000.

Mr. Charles Henry and Mr. Rick Watson, who own the remaining 25 per cent of the businesses, will continue as managing director and financial director respectively.

Commenting on the purchase, Mr. Cyril Stein, Ladbroke's chairman, said it marks Ladbroke's entry into another growing area of the leisure and service industries.

OLIVER RIX PROPERTY SALE TO GEO. WHITEHOUSE

Oliver Rix and George Whitehouse (Engineering) announce that contracts have been exchanged for the sale by Rix of four freehold properties to Whitehouse for a total consideration of £535,000. This is to be satisfied by a cash payment of £285,000 and the allotment of 250,000 11 per cent cumulative preference shares of Whitehouse.

All the new preference shares have been placed with institutional investors by Hoare Govett, so that Rix receives a total of £522,500 cash, which it intends to invest in its main businesses.

These properties were retained by Rix and leased by Whitehouse when seven garage businesses were sold to Whitehouse in 1974. Seven of the other properties involved in that transaction have already been sold by Rix to third parties, the sale of another is being negotiated and three will continue to be leased by Whitehouse.

The book value of the properties now being sold was £510,000 in the latest accounts of Rix as at September 30 1977 and their annual rental contributed £51,000 to Rix's pre-tax profits in that year.

Another attempt at Warwick

It looks as if Mr. Norman Gidney is about to make another attempt to mop up the remaining shares he does not hold in Warwick Engineering Investments. Yesterday, the board of Warwick announced that it was having talks with Gidney Securities "which it is expected will lead to an offer being made for the outstanding shares."

Shareholders were "strongly advised" to take no action over their holdings.

The chairman of Warwick is Mr. Norman Gidney who, together with the Warwick board, is talking to himself—as Gidney Securities, his private company.

In 1972 Mr. Gidney, who then owned 32.7 per cent of Warwick, made an offer for the rest at 30p. That time the offer brought him in less than 1 per cent of the shares.

Mr. Gidney made another offer, in 1976, at 26p a share, by which time he already held 74 per cent or so. At present his stake is 75 per cent.

At that level his holding makes Warwick a close company.

Prior to the bid Warwick's ex-dividend share price was 27½p.

PORK FARMS

Acceptances received by Northern Foods amount to 2,854,710 ordinary shares of Pork Farms existing prior to the the scrip issue (84.2 per cent) and the offer is now unconditional.

The Samworth family interests have accepted the cash and shares offer in respect of 1,277,000 shares and these have been placed in assented form with institutional investors. This holding carries the right to 5,108,000 shares in Northern Foods.

JAS. SHIPSTONE

Acceptances of the offer on behalf of Greenall Whitley to the ordinary holders of James Shipstone have been received in respect of 18,135,755 ordinary shares in Shipstone, including 14,508,604 new ordinary shares in Shipstone to be issued pursuant to proposed four for one scrip issue.

This represents acceptances in respect of 84.1 per cent of the shares subject to the ordinary offer. Acceptances on behalf of pref offers have been received in respect of 149,799 3.5 per cent pref shares (83.2 per cent) and 227,435, 3.85 per cent pref shares (84.3 per cent). Both ord and pref offers have been declared unconditional and will remain open.

CROFTON GROUP

Crofton Group announces that on May 26, 1978, its 95 per cent shareholding in Converta was sold to Town and Country Holdings (Bexley), a subsidiary of publicly quoted Corinthian Holdings which already has substantial printing interests including printers, T. J. Hunt.

Mr. Bernard Wolfe, managing director of Crofton Group (which is owned by Capital for Industry, part of the Grindlay Bank Group), states that the company has substantially increased its involvement in the PVC stationery and packaging fields over the last 12 months with new specialist plastics companies being, or about to be formed. It had been felt by the Board that in the light of its current plans it would not be possible to concentrate the investment and resources into Converta, a general colour printer.

ALBRIGHT & WILSON

Albright and Wilson's share price rose 4p to 180p yesterday having touched 183p at one stage —on increasing market optimism that Tenneco's bid for the company will not be referred to the Monopolies Commission.

Meanwhile, staff union representatives at Albright—members of the Association of Scientific, Technical and Managerial Staffs—met yesterday to discuss their recent attempts to get the bid referred to the Commission.

MANSELL THORPE

Centrovincial Estates is to make an agreed £230,000 offer for the ordinary and the 8 per cent cumulative preference shares of Mansell Thorpe.

It is offering 5p for each ordinary and 133p for each 8 per cent preference.

NO PROBES

The Secretary of State for Prices and Consumer Protection has decided not to refer the following proposed mergers to the Monopolies and Mergers Commission: Kearley and Tonge and Alliance Wholesale Grocers; Post Office Staff Superannuation Fund through Barclays Bank Investment Trust Corporation.

INTERNATIONAL FINANCIAL AND COMPANY NEWS

RTH AMERICAN NEWS

Heinz maintains growth with strong fourth quarter

BY JOHN WYLES

NEW YORK, June 27.

HEINZ, the international company has maintained its g growth record of the past years with a 15 per cent in- e in fourth quarter earnings an 18.3 per cent rise in net ts for the *1977-78* fiscal year. e results will help confirm z's ranking among analysts ne of the most attractive in- nents among U.S. food companies. Earnings have increased for 15 *consecutive years* and at a 12.4 per cent compound rate between 1972 and 1977. However, the rate has been close to 20 per cent if rapidly increased marketing expenditures and foreign currency translation adjustments are excluded.

During the fiscal year which ended on May 3, Heinz stepped up its spending on marketing by 44 per cent to $120m, but the company denies that this is a direct response to an escalating marketing battle with Campbell Soup. Campbell apparently plans to challenge Heinz's leadership in the U.S. ketchup market.

The fourth quarter results published today are broadly in *line with indications* Heinz gave two weeks ago. Net profits turned in at $36m ($1.57 a share) compared to $31.3m ($1.34 a share) a year ago. For the full year, net earnings were $99.2m ($4.25 a share) compared to $83.8m (*$3.55 a share*).

The company said that the full year results were after $6.7m of foreign currency gains compared to losses a year ago *of $10.2m*. Moreover, the fourth quarter results included an after tax provision of $5.7m for "closing and relocation of certain foreign and domestic facilities."

Heinz is confident that it will carry its earnings growth into a 16th consecutive year and analysts generally expect its earnings to be helped by stable or declining commodity prices. Moreover its proposed $50m acquisition of Foodways National, a frozen food producer which could, it is thought, boost earnings by up to 10 cents a share. Heinz is also seeking to acquire Weight Watchers International for $71m and is confident that both acquisitions will pass Department of Justice anti-trust scrutiny.

Setback in gaming stocks

By Our Own Correspondent

NEW YORK, June 27.

GAMBLING STOCKS *continued their downward plunge* today as investors tried to salvage some of the paper profit from their meteoric rise of the last two weeks.

Leading the way was Resorts International which peaked at $96 yesterday and had already lost over $20 to reach $75 by mid-day today. Other stocks linked with the new casino *boom, such as Caesar's World*, Bally Manufacturing and Harrah's followed suit, effectively ending the rush for gambling stocks which was *sparked off* by Resorts' successful launch of its Atlantic City casino in May.

However, analysts believe there may be further activity in these stocks later this year as other companies progress with plans to open their own casinis in the resort.

Meanwhile, Resorts International today announced plans to expand into the slot machine business by swapping 49,000 shares for the Seeburg line of slot machines manufactured by Williams Electronics, a subsidiary of Xcor. However, if and when Williams gets a licence from the New Jersey Gaming Commission, the company will acquire 50 per cent of Resorts' slot machine operations in return for half of the shares it is receiving *under today's deal*.

Alberta Gas Trunk Line lifts stake in Husky Oil

BY ROBERT GIBBENS

MONTREAL, June 27.

ALBERTA'S LARGEST gas transmission company, Alberta *Gas Trunk Line, (AGTL)* headed by Mr. Robert Blair, is back in the Husky Oil picture. AGTL confirmed that it has been buying more Husky shares on the open market since the first week in June, and now has 23 per cent of the *outstanding* shares, up from 4 per cent acquired in the open market from January 1 to early June.

AGTL could now hold the key to control of Husky. Petro-Canada, the national oil company, have offered C$52 cash for each of the 11m Husky shares, *while Occidental Petroleum of* the U.S. is offering the equivalent of C$54 via a share exchange conditional on 80 per cent acceptance.

The Nielson family, of Cody, Wyoming, and their associates *are assumed* to have *well over* 20 per cent. of the Husky stock, but the voting power of AGTL's holding may well be decisive. Both AGTL and Petro-Canada are *co-operating* on northern explorations and on plans to extend the Trans-Canada Gas pipeline east of Montreal.

Last night in Ottawa, the Prime Minister, Mr. Trudeau appeared to throw his weight towards Petro-Canada. Today in Calgary, the provincial Premier *Mr. Peter Lougheed urged* that his Province's oil sands be developed further to help meet Canada's long-term plans for energy self-sufficiency. He did not mention the heavy oil in south-west Saskatchewan which *is largely controlled by Husky*.

AP-DJ reports from Calgary: *AGTL declined to comment on* whether the company would continue purchasing Husky shares or what its intentions regarding Husky were. Oil industry sources *earlier indicated that AGTL could* enter the bid contest for Husky, Canada's largest producer of heavy oil.

The company said that a *joint* venture purchase agreement with Energy Ventures of Boston, which resulted in AGTL's initial 4 per cent holding in Husky has been terminated, but declined to elaborate.

One oil industry analyst said AGTL now holds "the balance of power" *in the* bidding war between Petro-Canada and Occidental.

The Occidental offer is conditional on it receiving Canadian *Government* approval and 80 per cent of Husky's outstanding shares. Unless Occidental waives the 80 per cent requirement, sources said Petro-Canada's chances of acquiring Husky have improved markedly because of *AGTL's increased holding*. Petro-Canada and AGTL are partners in several major energy projects in Canada.

Neither the Petro-Canada nor *Occidental offer* has been mailed to Husky shareholders yet.

Bank loan accounts proposal

By David Lascelles

NEW YORK, June 27

AMERICAN ACCOUNTANTS are to propose changes in the way that banks account for bad property debts with the aim of *bringing their methods* into line with those used at savings banks and property investment trusts.

At the moment, banks are free to report at full value any outstanding loans, even if they do not expect them to be paid back *on time and at the original rate* of interest. This means that the banks can give their assets an arguably unrealistically high value.

By contrast, other financial institutions are obliged to *account for the cost of carrying* delayed loans, and this results in a charge against earnings.

Not surprisingly, the banks have resisted "cost of carry" *accounting because it will eat* into their profits.

But now the American Institute of Certified Public Accountants is preparing a guide *for bank auditors which will try* to bring banks into line, though its proposals will be open for discussion before being implemented.

The *proposals do not cover* debts which banks expect to have to write off. Special reserves against possible loan losses are already required for these.

More International Company News— Pages 33 and 34

Talcott sale to Gulf & Western dropped

NEW YORK, June 27.

TALCOTT NATIONAL Corporation and Associates Corporation of North America will not now proceed with their plan whereby receivables and selected business finance loans of a Talcott subsidiary were to be sold to Associates. The latter is a subsidiary of Gulf and Western Industries, the diversified industrial *concern*.

The proposal was part of a plan to restructure the outstanding debt and preferred stock of both Talcott and its subsidiary, James Talcott. It was dropped due to timing problems in obtaining the required consents.

Talcott, however, has received a proposal from another company for the purchase of the *assets concerned in the original* plan at a cash purchase price equal to their net book value.

The sale would be subject to a number of conditions, including a review by the prospective purchaser *of the assets and approval* by directors and shareholders

Talcott says that it will determine whether to accept the proposal within the next 10 days. AP-DJ

Panama $300m loan to efinance external debt

JOSEPH MANN

PANAMA CITY, June 27.

VAS confirmed today that 300m credit package which oup of international banks rrently putting together for Government of Panama will sed for refinancing part of Republic's external indebted-

managers of the Eurodollar *are Bank of America, Citi-* and the Bank of Tokyo. of America is acting as t for the operation, which is being arranged by a icate of foreign banks. The loan will have a maturity of years, with a split interest d. For the first five years, rate is to be 1½ per cent the London interbank ed rate (LIBOR) and 1¼ ent *for the second five-year*

year end 1977, the Govern- of Panama reported total c obligations of $1.78bn, of h $1.28bn was externally ed debt. The Government, ed by General Omar Tor- negotiated a medium term of $170m in January from ner syndicate of banks led by First Chicago Panama, SA. The January loan was to be used for financing several public works projects and for funding other 1978 budgetary requirements. It was a seven-year loan carrying a *spread of* 1½ per cent over LIBOR.

Under the Government's *former debt repayment plan*, debt service would have reached relatively high levels between 1978 and 1980, ranging between $317m and $362m per annum, with payments slimming down to $294m in 1981 and subsequently *lower figures in the* following years. However, bankers here said that the high payments through 1980 would be eased considerably for the *Government when the $300m* loan was applied to refinancing part of the overall debt package. Proceeds of the loan specifically will be applied to the pre-payment of six medium term credits contracted during 1973-77 by Panama *from* Citicorp International, Bank of Tokyo and Libra Bank/Singer Friedlander Ltd.

Globe-Union agrees bid

MILWAUKEE, June 27.

NSON CONTROLS and e-Union have reached an *ement to combine the two* panies.

e agreement involves a er offer by Johnson for e-Union shares, followed by merger of Globe into nson.

hnson Controls is notifying e-Union of a 20 Day Notice ntention to make a tender to commence on or about 18. The tender would be 1.5m shares of Globe-Union 40 a share.

arlier, *Johnson* had acquired option from UV Industries to chase 1m shares of Globe- on common from that com- y. Those shares and the a to be tendered for by nson Controls represent at *40 per cent of* Globe- on's outstanding stock.

Johnson has to exercise its option to purchase the Globe *shares from UV Industries* immediately prior to a merger between Johnson and Globe-Union.

After expiration of the tender offer the two companies said they plan to solicit proxies for *special meetings of their share*holders expected to be held in September to consider a merger of the two companies.

Proposed terms of the merger call for Globe-Union shareholders to receive the number of *shares of Johnson Controls to* be decided by dividing $40m by the average of the high and low prices of Johnson common on the 10 consecutive trading days ending with the third trading day prior to the meeting of *Globe shareholders*.

AP-DJ

Pacific Tel. tax threat

NE WYORK, June 27.

T INCOME of Pacific Tele- ne and Telegraph for the ond quarter ended May 31 *from* $94.2m or 55 cents a re to $94.2m or 56 cents a re, on revenues up from n to $1.1bn.

Ir. Gordon L. Hough, the irman, said that an amount $260m, equal to 62 per cent the company's earnings *for* past 12 months, *could be in* pardy because of an order t year by the California blic Utilities Commission osing the company to a poten- bill for back tax.

The order, which is now on appeal to the California Supreme Court, originally called for $206m in refunds due last December 31, and a further $60m in continuing annual rate reductions. This order prompted a ruling on June 8 from the Internal Revenue Service that if the Commission's decision goes *into effect, Pacific Telephone* would be ineligible for certain tax benefits. This could lift the eventual liability as high as $750m, Mr. Hough said.

Agencies

Int. Minerals optimistic

LIBERTYVILLE, June 27.

STRONG jump in exports *of* osphate rock and potash ped boost net income of ernational Minerals and emicals almost 10 per cent in 1978 fiscal year ending June Mr. Richard A. Lenon, chair- n and *chief executive officer* dicted yesterday.

He added, however, that fiscal year 1979 earnings should be "a *stand-off or mildy down*" compared with the year now ending largely because of low ammonia prices and oversupply.

The 10 per cent earnings *increase in fiscal 1978* will put net income at about $120m

UROBONDS

Yields still out of line

BY MARY CAMPBELL

HE dollar sector of the market *ntinued downwards yesterday*, th falls of perhaps a quarter average being recorded over- l. The six-month Eurodollar te has moved up a good eighth a point since Friday, while prime rate rise in the U.S. *expected ever more confidently* r later this week.

Some dealers also point out at Eurobond market yields are ill out of line with yankee ond market yields. For xample one set of quotations or the Norwegian five-year sues put the yield on the ankee *bond at over 9 per cent* n an AIBD basis, compared ith about 8.80 on the Eurobond.

Feeling in the D-Mark sector as mixed. The Bundesbank had buy further substantial mounts of paper in the German omestic market.

In Luxembourg, a placement f 16m *units of account* is under ay for the Autoroute Basque *from Bordeaux to Spain*) while nother French borrower, enault, is raising LuxFr 500m.

The unit of account offering — hich will be listed after com- letion — closes tomorrow. Being managed by Kredietbank Luxembourgeoise, it offers 7 per ent for 15 years (average life *bout* 11 years). There is no nderwriting or selling group or this issue.

The Renault issue offers 7¾ per ent for ten years via a group headed by Société Générale Alsacienne de Banque.

Two small private placements currently under way in the *D-mark sector* are DM 20m for the Austrian industrial holding company (Oesterreichische Industrieverwaltungs — OEIAG) and DM 20m for the European Resettlement Fund. The *former* which is state-guaranteed is *being arranged* by WestLB on a 5½ per cent coupon at par *for* seven years, terms which the market thought were tight even by comparison with the Austrian state's DM 100m placement, which offers a hardly generous coupon of 5¾ per cent (*admittedly for* a ten year maturity). However *the suggestion* being made by some that the low coupon is explained by the terms having been agreed a few weeks ago, before the pause in new issues, would seem to be ill-founded.

The European Resettlement Fund placement, due *to* be signed on Friday, offers 6½ per cent *for eight years* (bullet) via BHF-Bank and looks generous by comparison with anything on offer at present. A pricing of around par is likely.

The terms of the DM 50 convertible for the Japanese supermarket chain Izumiya are expected to include a 3¾ per cent *coupon on* an eight-year final maturity. Lead manager for this issue, due for announcement in the second week of July, will be Bayerische Vereinsbank.

The Offshore Mining *$100m* floating rate issue closed yesterday with terms *unchanged* from indications — the price was set at par.

EEC case pinpoints clash of principles

BY A. H. HERMANN, Legal Correspondent

THE EUROPEAN COURT is considering two sets of cases which focus on the conflict between two major objectives of the Treaty of Rome: the *intention to secure freedom of* competition on the one hand, and to protect the Community's farms on the other.

The cases were brought by producers of isoglucose, a liquid sugar made from starch for use by the food and drinks industry. *It is cheaper to produce than* sugar from beet or cane. The complaint arises from regula*tions made by the European* Council and Commission designed to offset that price *advantage in the interest of* sugar.

Isoglucose has already gained an important foothold on the U.S. market were it can freely compete with sugar. It is believed that it may replace half the sugar consumed by the U.S. food processing industry by 1990.

In Europe its competitive advantage is even greater because EEC intervention keeps the price of sugar above the level of the world market price, at present by about 15 per cent. The Commission fears therefore that isoglucose could ultimately replace as much as 3m tonnes of beet sugar, equal to a 30 per cent share of the EEC market.

It has to be added that Britain is particularly suitable for development of this industry because it *does not* restrict the use of isoglucose by the food industry in the same way as *other EEC countries.*

The Commission does not say that it is its intention to keep isoglucose out of the Community market. It claims that the purpose of the contested regulations was merely to remove the unfair advantage which isoglucose enjoyed. The Commission argues that isoglucose benefited from the arti*ficially high price level of sugar* without being subject to the restraint of a production quota and without having to contribute to the subsidy needed to export the EEC sugar surplus and re-export the sugar imported under the Lomé Convention.

The isoglucose producers deny that this is a true picture of the Commission's intentions and actions. The companies include Tunnel Refineries in London, Koninklijke Sholten-Honig NV in Amsterdam as well as their UK subsidiary, the Royal Sholten-Honig (Holdings) and G. R. Amylum NV in Alost, Belgium. They all assert that the financial disadvantage imposed on isoglucose by the EEC measures have turned their profits into losses and reduced the value of their investments which total some £20m. Construction of new capacity at Tilbury had to be stopped halfway.

The isoglucose producers first attacked the regulations in the *High Court in London* and in a Dutch court. These actions, involving Tunnel Refineries and *Scholten-Honig*, *were referred* to the European Court in which a further three actions were brought (the British and Dutch producers being joined by the Belgian Amylum) claiming compensation from the Council and the Commission.

On Tuesday of last week, the European Court's First Advocate-General, Herr Gerhard Reischl, presented his Conclusions. Dealing with the first set of cases which had attacked the validity of the EEC measures in a document of 80 pages, Herr Reischl found no fault with the Commission and the Council. He held that their measures were legitimate in so far as they aimed at the containment *of a further expansion of the* production of isoglucose and proposed that the court should confirm the validity of the regulations. Given this view Herr Reischt had little alternative but to recommend that the second set of actions — *for damages* — should be dismissed.

The importance of these law suits has not yet been sufficiently appreciated. This may be because isoglucose is a new product, little known to the wider public, and because the discussion of the EEC sugar and starch subsidies, levies and refunds, and of price intervention linked with three different types of production quotas for sugar, obscured the real issue of the hearings behind a veil of technicalities.

Yet the case is of great general *importance*. The Court cannot decide the claim of the isoglucose producers without first *making up its mind* about the objectives of the European Economic Community, and if these are found to be *self-contradictory*, whether the Council and Commission had the right to "choose . . . which of those objectives may take precedence over the others. . . ." The Commission argued that the existence of this right had been established by an earlier judgment, but the question remains whether it may be used to *negate rules as fundamental as* those invoked by the isoglucose plaintiffs.

To put it simply: the declared objectives of the Treaty of Rome are the achievement of greater *prosperity* in the Common Market and the better satisfaction of consumer needs *by safeguarding internal free* trade and unrestricted competition, leading to greater economic efficiency and technological progress. One would say that the development of isoglucose production meets these objectives. But it conflicts with the Council's policy for agriculture. "It has to be acknowledged," the Council told the Court, "that, in trade in agricultural products and processed products obtained from these, the Treaty has resulted in free trade becoming the exception and regulation the rule." This, the Council argued, overrides the fundamental right to free enterprise, invoked by the producers of isoglucose.

The case touches a raw nerve because the product is situated on the interstice of the industrial community and of the agricultural community: the one *supposed to be steered by* free trade and competition, the other by protectionist regulation.

Even this schism however should not stop the two different methods of economic management from achieving the same ultimate benefit for the consumers. However, the regulation of agriculture does not serve this end. It does not stabilise the market, as required by the Treaty, but creates permanent instability by creating unamanageable surpluses. These surpluses have *either to be given* away or, as is the case with sugar, exported with the help of an EEC *subsidy*. It was in order to finance this subsidy, the Commission said, that a levy had had to be imposed on the production of isoglucose. The producers of isoglucose argue that in this way consumers are punished twice: first they have to pay an excessively high price for sugar which leads to overproduction: secondly, they are deprived of the benefit of a cheaper substitute because its production is made impossible by a levy designed to help to export the artificially achieved surplus *of sugar*.

The Community has a sugar surplus *of 3.2m tonnes. This* is composed of 2.3m tonnes excess of production over consumption (9.2m tonnes in 1977) and 1.3m tonnes of imports from Asian, Caribbean and Pacific countries. These imports are then re-exported with the help of a subsidy, thus making happy not only sugar producers but also the companies *shipping the sugar* in and out of Europe.

Such methods of regulation seem odd even to *continental* agricultural economists. They surpass in extravagance national food marketing systems developed in the inter-war period either by cartels or by governments—and in either case backed and milked by agrarian political parties.

The pre-war international sugar cartel allocated export quotas to national cartels in beet-sugar producing countries and these in turn allocated *production quotas to sugar* factories. The national cartels *fixed* the consumer price of beet-sugar high above the world market price determined by *cane sugar and used part of the* difference to subsidise exports at prices below domestic production costs.

Like the present EEC system, the pre-war scheme created a multiplicity of quotas. These were based on seniority—that is keeping those who were established in the business and all newcomers out of it. The *same objective* can be detected in the measures now attacked before the European Court.

Though much has changed since 1930, competition is still anathema to the beet-sugar industry. The aim of the CAP is not equality of treatment *(which* would enable the more efficient producers to capture a greater part of the market) but *rather equal remuneration. In* trying to refute the complaint that the levy imposed on *isoglucose is discriminating*, the Council asked: "Would equality of treatment ensure the *same remuneration?"*

Although the isoglucose producers claim that the EEC *measures offend the funda*mental principles of the Treaty and are therefore invalid, their *main grievance seems to be that* isoglucose is deprived of the benefits which this EEC *regulatory system affords* to beet-sugar and, moreover, that the measures depriving them of *these benefits were taken* without proper warning and without providing for a *transitional period. In the final analysis, therefore,* the isoglucose producers are not *protesting—at least not loudly*— against the Sugar Directorate's view that everybody should earn *the same irrespective of the* efficiency with which he produces.

The *isoglucose producers'* complaint of discrimination can be understood only against the background of the EEC price system for sugar. The intervention price (at which the Commission is ready to buy surplus sugar) keeps the price of sugar in the Community about 15 per cent above the world market *level. From this difference* producers in regions least suited to the cultivation of sugar beet benefit fully, as long as they keep within the basic A quota. Producers in regions better suited for the cultivation of sugar beet can overstep the basic quota, and as long as they keep within the additional B quota they still benefit from the intervention price level but have to pay a levy, now fixed at 9.85 units of account per 100 *kgs., which the Commission* uses for subsidising the export of sugar surpluses resulting *from its intervention price.* (Quota C is not eligible for price intervention at all.)

The same levy which applies to the B-quota of sugar has been imposed on the entire production of isoglucose (though reduced to one half for the first year of production). The complaint of the isoglucose producers is that even sugar factories in regions most suitable for the cultivation of sugar beet are paid the full intervention price for their basic A quota, *while* isoglucose producers have, so to speak, no A quota. As a result of pressure *from sugar* producers — who were refused permission by the Court to participate in the litigation on the side of the Council and the Commission — the A quota is fixed so high that *B quota production* reaches only a fraction of it. Taking the proportion of 1975-76 when the *B quota production* reached only one-eighth of A quota production, one can conclude that the *burden of the levy per* unit of production is eight times higher on isoglucose than *it is on the aggregate of A and* B quota sugar. This, it is alleged, makes the production *of isoglucose* quite uneconomical.

There is no doubt that the *measures deprived* isoglucose producers of the advantage with which they started. Another question is whether they should have this advantage. Sugar made from North American *corn (maize) is no better than* sugar made from Central American cane and neither has *any merits to eyes accustomed* to the green expanse of sugar beet fields.

EEC sugar balance sheet

1977/1978
(in million tonnes)

Production benefiting from the intervention price (Quota A + B)*	10.5
Production excluded from the EEC market (Quota C)	0.6
Imports under Lomé Convention	1.3
	12.4
Consumption	9.2
Surplus exported with the help of a subsidy	3.2

* *In 1975/76 A quota was 8.5m tonnes and B quota 1m tonnes.*

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INTERNATIONAL FINANCIAL AND COMPANY NEWS

SWEDISH COMPANIES

Fagersta pulls out of steel merger

BY WILLIAM DULLFORCE

STOCKHOLM, June 27.

PLANS for the restructuring of the Swedish special industry collapsed yesterday when Fagersta announced that it was withdrawing from merger negotiations with SKF and Uddeholm. The talks, which included a team from the Ministry of Industry, had been going on since March.

Fagersta found that as far as it was concerned the terms of the merger involved too heavy a financial risk. Fagersta's chairman, Professor Ulf af Trolle explained that the new company would have had to raise Kr1.8bn ($392m) in loans to supplement the capital inputs of the three partners and the state.

Earlier Professor af Trolle had asked the government to contribute to the share capital of the new company. The Ministry of Industry, which is already committed to providing 50 per cent of the share capital of the new commercial steel company, declined this but offered to make available Kr1.3bn in loans and credit guarantees.

Under the proposed terms each partner would have contributed Kr500m to the equity of the new company with a further Kr500m to be raised among them. With state loans of Kr1.3bn and a borrowing requirement of Kr1.8bn, the total capital base would have been over Kr5bn.

Reaction to Fagersta's decision from the Ministry of Industry was that the restructuring of the steel industry had been postponed. Civil servants believe that Fagersta may in fact be more interested in negotiating a merger with the Avesta and Nyby stainless steel plants operated by the Johnson Group and Graenges.

As for Fagersta's two potential partners, Uddeholm stated that it would continue with the rationalisation programme it had halted while the merger negotiations took place. An SKF spokesman said the roller bearing group had an alternative plan ready for its steel operations.

Last year Fagersta reported a loss of Kr70m and Uddeholm made an operating loss of Kr142m on its steel operations. SKF's consolidated earnings dropped to Kr156m on a Kr8bn turnover in 1977. It did not specify the losses made on its steel business but Swedish Press reports put these in the Kr100m range.

Foreign thrust at Esselte

By Our Nordic Correspondent

STOCKHOLM, June 27.

ESSELTE, the swiftly expanding Swedish office equipment, packaging and printing group, underlines in its shareholders' report for 1977-78 that its appetite for new acquisitions has by no means been satisfied by the takeover last month of Dymo Industries of San Francisco. It is raising its share capital by Skr 52.2m to SKr 3,131m ($68m) by a one-for-five bonus issue, so designed that for each ten shares holders get one of the same category plus one B share.

The extra issue of B shares is intended to increase Esselte's ability to launch shares or convertible debentures on foreign markets and thereby continue its expansion abroad. Since it sold its paper mill at Oerebro in 1974, Esselte has bought 20 companies, eight of them abroad, the largest purchases being made in the U.S. and Britain.

Some 38 per cent of Esselte's SKr 2.45bn ($532m) sales in 1977-78 were effected abroad. The purchase of Dymo should increase this share to half of an expanded turnover not far short of SKr 4bn. The philosophy behind this foreign thrust is explained at length in the latest report.

Esselte's Swedish companies generate substantial cash but most already possess a large share of the domestic market and therefore have little potential for expansion. The policy is to mobilise the financial resources of these "mature" companies for more swiftly expanding companies abroad, which need liquid resources for their expansion.

Two subsidiaries illustrate this policy. Esseltewell, the corrugated packaging unit based in Sweden, had unchanged sales of SKr 227m in 1977-78 but contributed SKr 42m to group operating profit on capital employed of SKr 96m.

Statsfoeretag stays in the red

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, June 27.

THE companies controlled by Statsfoeretag, the Swedish State holding company, made a consolidated pre-tax loss of SKr 335m ($72.8m) during the first four months of this year on a combined turnover of SKr 2.9bn ($637m). The management expects 1978 as a whole to produce a loss similar to last year's SKr 1bn deficit.

The four-month loss is SKr 37m larger than that reported for the corresponding period of last year, but the figures are not strictly comparable because of the change in the composition of the Statsfoeretag group. The shipyards and the NJA steel company no longer form part of the group, while the Eister textile company has been added.

If adjustments are made for these and other changes, the loss is roughly SKr 150m larger, which corresponds to the increase in the loss incured by LKAB, the State iron mining company. The turnover shows a 12 per cent growth after adjustments for the changes in group composition.

The interim report notes the further deterioration in LKAB's position and promises that a decision will be taken later this year about the mining company's future operations.

Many of the State subsidiaries improved their performance in the first four months and the majority are reported to have either exceeded or equalled their targets. The loss made by Berol Kemi, the chemical company, was reduced to SKr 18m, while Kabi, the pharmaceutical company, improved on both its 1977 result and its 1978 budget.

Statsfoeretag operated with ample liquid assets during the period, thanks to the SKr 700m State grant issued for the formation of the new steel company SSAB and the SKr 190m State capital put into Elster. Long-term borrowing remained practically unchanged during the period but the group's financial needs are still heavy and more loans are expected to be taken up during the rest of the year.

The interim report does not include the accounts of SSAB the new steel company, or of Swedish Petroleum, in both of which the State has a 50 per cent holding. The legal position on the consolidation of these concerns in the Statsfoeretag accounts has not yet been clarified.

Losses for Axel Johnson offshoots

BY OUR NORDIC CORRESPONDENT

STOCKHOLM, June 27.

THE Axel Johnson group, Sweden's largest privately owned business after Volvo, has continued the public disclosure started last year by issuing today full 1977 accounts for its four principal companies. These have to be dealt with separately because the cross-ownership pattern and minority holdings make a consolidated appreciation impossible.

Briefly, the largest subsidiary, Nordstjernan, reports a pre-tax loss of SKr 55m ($12m) on SKr 4.68bn ($1bn) turnover. The trading concern, A. Johnson, returned SKr 2.5m pre-tax on an SKr 3.1bn turnover. Nynaes Oil made a pre-tax loss of SKr 0.8m on unchanged sales of SKr 1.88bn and NYA Asfalt, the construction and civil engineering company, lost SKr 1.2m on an SKr 1.1bn turnover.

Nordstjernan's result, in particular, is misleading because it excludes profitable minority holdings. This company covers the group's shipping operations, the steel plants which are concentrated on stainless steel products, the engineering subsidiaries and construction, computer, insurance and bus companies.

Its combined sales dropped by SKr 94m in 1977 due mainly to weak demand for engineering products. The operating result tumbled from SKr 38m to SKr 15m. Net interest charges of SKr 54m and currency losses of SKr 22m contributed to give the pre-tax loss of SKr 55m.

However, this is not the whole story because Nordstjernan has a 40 per cent interest in Saba, the wholesaling, fruit and vegetable trading company, which turned in a pre-tax profit of SKr 81m last year. It also has a 25 per cent holding in the Wallenius shipping companies. These minority holdings added over SKr 50m to Nordstjernan's earnings. Together with a net extraordinary income of SKr 48m, derived mostly from the sale of ships and other assets, they produced pre-tax earnings of SKr 72m against SKr 50m in 1976.

The shareholders' report notes that last year's krona devaluation has improved the competitiveness of Nordstjernan's constituent companies somewhat and forecasts a slow improvement in business during 1978. However, this is not calculated to give any appreciable growth in earnings before 1979.

BMW in $145m Daimler link

By Guy Hawtin

FRANKFURT, June 27

A SHARP increase in activity and a major new capital investment programme in Austria were announced today by BMW, the West German manufacturer of quality, high performance cars.

After six months, group car production is running some 9 per cent ahead while turnover at the parent company is 18 per cent higher. The Austrian programme comprises a joint venture with Steyr-Daimler-Puch to build a DM300m ($145m) plant to develop diesel engines.

The company has enough orders in hand to guarantee operation at full capacity until well into next year. Despite the fact that BMW reported in May that the high point in the car boom had been reached, there is still no sign that demand is slackening.

At the group's annual meeting, Herr Eberhard von Kuehnheim, BMW's chief executive, said that the group had produced some 163,000 cars in the first half year — a full 9 per cent more than in the comparable period of 1977.

First half turnover for the parent concern was DM3bn, while group turnover totalled DM3.3bn ($1.59bn). Profits, said Herr Von Kuehnheim, would be satisfactory: last year the group made DM125.3m at the net level.

The joint venture with Steyr-Daimler is part of the concern's diversification policy. They are to jointly manufacture diesel engines for motor vehicles and stationery industrial applications. The new project will involve the setting up of a joint subsidiary which will be formally established later this year.

Bayer sets sales targets

LEVERKUSON, June 27.

BAYER will need to lift turnover by between 5 per cent and 6 per cent during the second half of 1978 if sales targets for the year are to be achieved, AP-DJ reports.

This was emphasised at the annual meeting by the management board chairman, Herbert Gruenewald who confirmed that sales this year were expected to rise by up to 3 per cent. Bayer is one of the "big three" chemical groups in West Germany.

Last month Bayer reported parent company first quarter turnover of DM 2.61bn, which was the same as for the 1977 quarter, while world group turnover rose to DM 5.65bn from DM 5.41bn. World turnover for the first quarter included for the first time sales of Miles Laboratories of the U.S.

Setback at Renault after commercial vehicle loss

BY DAVID CURRY

PARIS, June 27.

PROFITS LAST year at Regie Renault, the parent company of the State-owned Renault motor group, were virtually wiped out by a combination of severe losses in the commercial vehicle sector, price controls, a substantially higher tax bill, and an expanded programme of investments.

Renault, which last year was Western Europe's leading motor group with 12.4 per cent of car registrations, ended up with FFr 12.1m (£1.45m) net profit against FFr 610.7m (£73.5m) the previous year. Operating profit was down from FFr 825m (£99m) to below FFr 400m (£48m) and cash flow slipped from FFr 1.77bn (£213m) to FFr 1.4bn (£168m).

The group, which employs 243,000 people, does not publish consolidated figures, but group sales topped Frs 49.2bn (Frs 44.6bn in 1976) to which the car division contributed 70 per cent. Car production reached a record 1.737m with the group taking more than a third of a national market of 1.9m vehicles while passing for the first time the 1m mark in overseas sales.

The forecast for this year is for a similar output. The group's world production is down by 1.3 per cent over the first five months of the year but the new Renault 18 is expected to give a boost to the company's performance.

M. Bernard Hanon, who heads the car division, said that negotiations with American Motors for the sale and eventual manufacture of some Renault models in the U.S. were taking longer than expected partly because of legal problems and partly because of the difficulty in assessing the economic and technical feasibility of production of the 18 in the American company's factories.

He also said that the new management at Leyland seemed to be renewing its interest in co-operation with Renault though he did not expect firm results until it had completed it work on the Leyland model range. The co-operation envisaged under the previous Leyland regime was based on the production of industrial components.

The commercial vehicle division, pursuing a FFr 6bn investment programme to renew the Saviem and Berliet ranges, had what the Renault chairman, M. Bernard Vernier-Palliez called a "disastrous" year with the FFr 130m of profits in 1976 turning into a FFr 250m deficit.

The national market had declined by 6 per cent compared with 1976 and in the second half of the year by no less than 14 per cent. So far this year the French market was 16 per cent down even on the depressed levels of 1977.

A destructive price war and declining demand from the Third World had helped to make life miserable while the need to make provision for early retirement in order to trim the labour force was an additional weight on the division's finances.

Finally, the industrial division, which embraces rubber, machine tools, special steels, bearings and agricultural tractors, had made no contribution to profits with the ills of the European machine tool sector weighing particularly heavily.

Other factors influencing the parent company results were the payment of a FFr 130m "dividend" to the state and the increase from FFr69m to FFr 210.7m in corporation tax due to the exhaustion of tax credits. Parent company turnover was FFr 28.7bn of which FFr 11.3bn was direct export.

M. Vernier-Palliez dismissed the strikes which have hit two Renault plants spasmodically over the past month as being the work of a small minority. With the recall of the 9,000 people laid off at the Flins plant today all factories were operating.

Vroom en Dreesmann confident

BY CHARLES BATCHELOR

AMSTERDAM, June 27.

AN INCREASE of 42 per cent in net profit to Fl 74m ($33m) last year, on the basis of replacement accounting, is announced by Vroom en Dreesmann, Holland's largest retail chain. Historical cost profits rose by 35 per cent from Fl 62m to Fl 84m while gross sales were 16 per cent higher at Fl 3.97bn ($1.78bn).

The first quarter of the current year confirms the privately-owned company's expectation that the operating result for the year will equal that of last year. Operating profit rose 22 per cent to Fl 207m in 1977-78.

Profitability is at a reasonably acceptable level, both in relation to capital employed and turnover. But compared with V and D similar companies in the U.S. have net profit as a percentage of sales two to three times higher. For this reason a small but growing part of V and D's net profits come not from its Dutch retail stores but from participation in other companies and from non-retail operations.

V and D has extensive plans to modernise and expand its retail network in Holland and abroad, according to the annual report. Investments in fixed assets and participations is expected to be Fl 200m in the current year after Fl 235m. This expansion is to an extent forced on the company because of rising costs and pressure on margins, it said.

Abroad V and D has begun developing a chain of lingerie stores in Belgium, together with the G.B.-Inno-BM group which is also participating in the setting up of a number of home improvement centres in Holland.

The annual report showed that V and D is acquiring 37 per cent in Dillard Department Stores of Little Rock, Argansas. In February it said its share would be 34 per cent.

Dutch rights issue terms

BY OUR OWN CORRESPONDENT AMSTERDAM, June 27.

NATIONALE - NEDERLANDEN said it has priced its one-for-ten rights issue at Fl 97.50 per Fl 10 nominal share/repositary receipt. This compared with today's closing price of the insurance group's shares of Fl 104 on the Amsterdam Stock Exchange.

Holders of 60,000 warrants attached to the $30m debenture loan issued in 1976 are also entitled to a preferential right on the basis of 1.1 new shares of Fl 10 for every warrant already held. This means 1,307,770 shares will be issued, valuing the rights offer at $57m.

Each subscriber will receive an optional entitlement, and warrants will be issued allowing the holder to purchase depositary receipts representing 10 shares in Nationale-Nederlanden at Fl. 125 until August 1, 1988. Subscriptions for 20 shares entitle the holder to one new warrant.

Dealings begin in the rights on July 3, and subscriptions are open on July 11.

Boussac wages will be paid

PARIS, June 27.

THE CREDITOR banking pool of the ailing Boussac textile group has agreed to advance the group cash so that it can pay its 11,000 workers their June salaries, and give them an advance for their four week's annual paid holiday in July. Credit Lyonnais, the nationalised bank which is representing the pool announced this today.

The pool advanced some FFr 25m.

AP-DJ

INTERNATIONAL FINANCIAL AND COMPANY NEWS

Stanbic forecasts further solid growth in earnings

BY RICHARD ROLFE

JOHANNESBURG, June 27.

A FURTHER increase in profits is forecast by Standard Bank Investment Corporation (Stanbic), the South African subsidiary of Standard and Chartered, for the current financial period, which will be for nine months to December 31, following a change in the bank's year end.

On the forecast, Stanbic's growth path, interrupted by high provisions for bad debts in 1976-77, but resumed in the year ended March 31, 1978, will be continued and the stated policy of paying out 50 per cent of distributable profits in dividends augurs well for an increased payment to shareholders in the current period.

Last year, Stanbic's taxed profits improved from R21.2m to R31.7m ($36.1m) but the former figure was after providing R12m against loans to the failed township developer, Glen Anil. Over the year, shareholders' funds grew from R184m to R201m and total advances, including hire - purchase contracts, from R1.8bn to R2.1bn. The dividend was raised from 22.5 cents to 28 cents a share, and this was the signal for the shares to go ahead sharply from 355 cents ahead of the preliminary figures to 410 cents, where the historic yield is 6.8 per cent.

At the heart of Stanbic's forecasts is the plan to achieve a "maintainable" return of 16 per cent on year-end shareholders' funds. Last year, the return was 15.7 per cent, but Mr. Ian Mackenzie, the chairman, says in his review that 16 per cent will be realised in the current period and that the figure would be higher but for the need to "equip the group for future expansion and the improvement of services to customers."

While the changed year-end complicates projections, analysts believe that annualised earnings could be around 65 cents a share for the current period with an annualised dividend of about 32 cents a share.

Reviewing the events of the past year, Mr. Mackenzie singles out three of particular importance. First, the group forged links with the Prudential Equity Building Society (now renamed Standard Building Society) in an attempt to widen its range of customer services despite the risk of directing deposits away from the bank. Second, it successfully tendered R100m of leasing finance for Iscor, the State steel group, for equipment on the new Grootgeluk coking coal mine, a strategically important development.

Finally, after the March 31 year-end, Stanbic acquired UDC Bank, the most viable part of the local UDC Holdings Group in which UDT was one of the two major shareholders. The return on this investment is expected to be well above Stanbic's group aggregate.

Stanbic's profit plans for the year build in various macro-economic assumptions, including an increase of 2.5 per cent in South African GNP, a rise of 12 per cent in the money supply and an inflation rate of just over 10 per cent. Because of continuing problems on balance of payments capital account, interest rates are not expected to decline sharply during the year.

On the bank's capital base the chairman is ambiguous. Stanbic's plans indicate that no further capital will be required in the current nine months to December. But the growth of business and stock market conditions "will dictate our strategy in seeking additional capital." Like Barclays National, the other UK-controlled bank here, Stanbic's parent, now holding 63 per cent of the local company, has to reduce its stake to 50 per cent by 1985.

Sime Darby units in $9m deal

BY WONG SULONG

KUALA LUMPUR, June 27.

TWO SUBSIDIARIES of Sime Darby Holdings — Kempes Berhad, Lingui Developments—have reached agreement to dispose of their shares in their parent company, for more than 21m ringgits (almost U.S.$9m), thereby resolving the problem arising from their inability to receive the recent scrip issue made by Sime.

Kempes and Lingui respectively held some 4.7m and 70,000 shares in Sime Darby, which recently announced a one-for-one scrip issue. But because of the UK Companies Act regulations Sime cannot issue the extra scrip to its two subsidiaries.

The two subsidiaries today announced that they have now sold their Sime Darby shares, including their right to the scrip issue to Permodalan Nasional Berhad, for a cash consideration of 21.516m ringgits. This works out at 2.225 ringgits per share.

Permodalan Nasional Berhad is a subsidiary of the Bumiputra Investment Foundation, which the Malaysian Government launched two months ago, with an initial allocation of 200m ringgits. The foundation was formed to buy up shares reserved for Malays, and hold them in trust, to give the Malays greater participation in the Malaysian corporate sector.

The purchase means that Permodalan Nasional now holds 9.55m shares of Sime, making it one of the major shareholders. Applications for these shares to be listed in the various exchanges are being made.

* * *

Wilkinson Rubber Process Company has reported a 17 per cent increase in profit for the half-year ending March, and is making a one-for-four scrip issue, Wong Sulong writes from Kuala Lumpa.

The company, which manufactures rubber products for the mining industry, recorded an after-tax profit of just over 1m ringgits (U.S.$420,000) for the first half of its financial year, on a 15 per cent increase in turnover of 7.84m ringgits (U.S.$3.3m).

The company says that the scrip issue would be made out of its general reserves account. It also intends to increase its share capital from 10m ringgits to 20m ringgits.

Although the first half year profits were buoyant, the company points out that the second half results are not expected to match those of the second half of last year.

As such, profit for the current year would be in line with that of last year (2m ringgits) and the level of dividend will be reduced in line with the increase in capital.

Goodwood Park Hotel

BY H. F. LEE

SINGAPORE, June 27.

GROUP PROFIT before tax of Goodwood Park Hotel, Singapore's biggest hotel chain, declined by 11 per cent to S$2.3m (U.S.$1m) in the half year to March. The downturn took place in spite of a 3 per cent improvement in turnover to S$ 17.8m (US$ 7.7m).

The parent company, which operates one of Singapore's oldest hotels, however, turned in a much improved performance. Pre-tax profit was up 7.5 per cent to S$ 1.5m on an 11 per cent improvement in turnover to S$ 6.4m.

Hotel Malaysia and Ming Court Hotel also returned better results.

Hotel Malaysia registered the sharpest gain with pre-tax profit rising by 135 per cent to S$ 603,232 despite a mere 2 per cent increase in turnover to S$ 3.09m.

Ming Court Hotel reported a 10.8 per cent increase in pre-tax profit to S$ 555,840 on a 7.6 per cent increase in turnover to S$ 6.11m.

The group has interests in property, printing, entertainment and inventions, as well as hotels.

Japanese move into U.S. bill market

By Yoko Shibata

TOKYO, June 27.

JAPAN'S LARGEST private institutional investor has started full-scale operations in overseas money markets. Its action may lead other Japanese institutional investors and companies with high liquidity to follow.

Norin-Chukin Bank, the bank for agricultural, fishery and forest co-operatives, bought $490m of U.S. Treasury bills in the 10 days to the end of last week. The amount is the largest ever for a Japanese private institutional investor.

The U.S. bills are of less than one year's maturity, with most of them falling due in two to 10 days.

The bank has started to extend its money market operations to overseas markets in spite of the recent upsurge in the yen. The bank is aiming at widening interest margins. While short-term interest rates of the U.S. have been rising, interest levels in Japan have been falling—in line with those in West Germany and Switzerland—against the background of the series of official discount rate cuts in the past year.

In order to protect itself against the sharp rise in the yen in the foreign exchange markets, the bank fixed the return in advance by operating in the forward market. In the Tokyo foreign exchange market, the yen reached its peak at the beginning of this week, at Y205.10 to the dollar, and in the forward market commands a premium over the spot rate.

In the interbank market, the premium on yen for delivery one month forward has lately been over 5 per cent. This premium would effectively eliminate the yield margin on U.S. Treasury bills. However, the bank was able to arrange exchange swaps on favourable terms because of the size of its transactions and heavy competition between banks dealing in foreign exchange.

The rate on three-month Japanese bills was around 5.25 per cent in January, against the 6.4 per cent on the three-month U.S. Treasury bills, which left an interest spread of about 1.2 per cent. However, the rate on Japanese bills has declined to around 4.75 per cent, while that on U.S. three-month bills is about 6.6 per cent, so that the differential has widened to about 2 per cent.

Tokio Marine

Tokia Marine and Fire Insurance Company after tax profit fell 17.4 per cent, in after-tax profit for the year to March 31, to Y16.17bn ($78.5m), from Y19.58bn in the previous year, Reuter reports from Tokyo. The dividend is reduced to Y5 a share from Y5.5.

TATA IRON AND STEEL

Dividend raised despite lower profit

BY R. C. MURTHY

BOMBAY, June 27.

AN INCREASE in dividend, from 10 to 11 per cent, is announced by Tata Iron and Steel Company (TISCO) despite a dip in pre-tax profits for the year to March, 1978. TISCO, a blue chip and one of the few pace-setters for the stock market, has resorted to this dividend policy on the expectation of a substantial increase in profits in the current year, following the revision of steel prices from June 5.

Prices of steel produced by integrated steel plants, as distinct from small electric arc furnaces known in this country as mini-steel plants, are controlled by the Government. The consumer prices of steel at all major centres in the country are uniform under a pricing scheme laid down by the Joint Steel Plant Committee. Each steel unit gets its retention price after making provision for excise duty and freight, which together work out to more than a quarter of the consumer price.

The latest steel price rise of Rs 175 per tonne would mean a theoretical gain of Rs 180m ($21.4m) in pre-tax profits, which were only Rs 78.7m in 1977-78. Even this price increase, says Mr. J. R. D. Tata, TISCO chairman, only partly compensates for the cost escalation over the past eight-odd years. The company's calculations indicate that a further price increase of Rs 151 per tonne will have to be given to fully neutralise the rise in costs. While allowing the price increase the Government has fixed a maximum of 12 per cent for TISCO's dividends. This means that the company can raise the dividend from 11 per cent to 12 per cent next year, and all the surplus after appropriations will have to be transferred to general reserve.

The company produced a record 1.60m tonnes of steel in 1977-78, against 1.55m tonnes in 1976-77, and sold 1.62m tonnes, drawing down the stocks accumulated last year following recession in the engineering industry. Demand for steel is picking up with an improvement in construction activity.

Despite higher production and sales, pre-tax profits of TISCO declined from Rs 180.50m to Rs 78.70m in 1977-78. The fall resulted from a sharp rise in operating costs, arising from higher wages, escalation in prices of raw materials and stores and higher depreciation provision. However, in view of an almost negligible tax liability, and exemption from setting aside funds for plant modernisation, the surplus available for appropriations was sizeable. On the other hand, despite higher pre-tax profits in 1976-77, the company had to draw Rs 34m from the general reserve to pay a 10-per cent dividend for that year.

The June 4 steel price increase package includes the imposition of a development surcharge of Rs 100 per tonne, proceeds of which will be used for the modernisation of the steel industry. Unlike the modernisation funds set up earlier, the resources in this fund will be controlled by the Government, which will decide on the mode of allocation among public and private sector steel plants. Mr. Tata is not sure of the Government committing all the funds generated by the Rs 100-per-tonne levy by TISCO for the company's own modernisation plan.

TISCO has envisaged a total investment of Rs 4.1bn. It is already implementing a rehabilitation and renovation plan involving Rs 1.5bn spread over five years. In April, the company drew up a major modernisation programme, to invest Rs 2.5bn and sent it to the Government for its approval.

The plan envisages replacement of the merchant mill by a wire rod mill, induction of the oxygen blown process in steel melting and installation of a 120-tonne electric furnace and a desulphuriser. Eventually, the installed capacity is to be raised to 2m tonnes.

Sharp rise at Koor Industries

BY L. DANIEL

TEL AVIV, June 27.

KOOR INDUSTRIES—the 100-factory holding company of the Israel Labour Federation—reports a 75 per cent rise in its pre-tax profit during 1977 to I£577m ($33m)—an increase in real terms of 30 per cent if inflation is taken into account.

The profit represents 6.3 per cent return on a turnover of I£9.2bn ($525.7m) as compared with 4.9 per cent on a turnover of I£6.7bn in 1976, according to Koor director Mr. N. Blumenthal.

Profit after tax amounted to I£324m compared with only I£115m in 1976. About half of the net profit was derived from industrial (home market and export) sales, with the remainder accounted for by the sale of securities (I£70m), and operations of the concern's trading companies, mainly abroad (I£80m).

The consolidated balance sheet total (which includes only those companies in which Koor holds 50 per cent or more) came to I£13bn—a nominal growth of 60 per cent and a real one in inflation terms of 11 per cent.

Koor's exports in 1977 came to $260m and a further increase has been recorded during the first half of this year, when exports came to nearly $150m—a 20 per cent gain on the same months of 1977. Overall turnover increased by 63 per cent in the January-June period of this year as compared with the first half of 1977.

The concern intends to increase its investments this year by 50 per cent over 1977 to a total of I£900m.

* * *

Migdal Binyan—the Israeli insurance company with the largest life portfolio and overall second in size only to Hassneh Insurance Company of Israel which is owned by the Labour Federation—reports a rise in its life insurance portfolio from I£14bn in 1976 to I£20bn ($1.1bn) in 1977, L. Daniel writes from Tel Aviv. Premium income increased by 43 per cent to I£322.3m while premiums in respect of elementary insurance rose by 47 per cent to I£426.6m.

Total pre-tax profits, including a revaluation of linked investments which were not realised, stood at I£86m.

There will be no cash dividend but a 100 per cent bonus share issue.

Reserves for life insurance increased by some I£800m to I£1.5bn. Capital funds and reserves totalled I£1.95bn—a gain of 56 per cent over 1976.

Holders of fixed life insurance policies are to receive a bonus on August 1 with the amount to be paid out coming to I£225m.

Life insurance activities were responsible for I£23m of profits and elementary insurance for another I£2.7m.

Tax moves to stimulate Israeli industry

By Our Own Correspondent

TEL AVIV, June 27.

TWO LAWS to stimulate investments in Israeli industry are being considered by the Knesset Finance Committee. The first is aimed at restoring the profitability of manufacturing industry, compared with that of banks, services, trade and construction, which has risen over the past two years.

This law provides for the reduction of company tax from 61 per cent to 52 per cent provided that the profits are reinvested in means of production. Costs incurred in raising capital on the stock exchange are in future to be recognised as business expenses. Furthermore, industrial plants will receive a tax exemption on part of the paper profit on their inventories which reflects inflation. They will also be able to depreciate industrial equipment within two years in order to provide them with the capital required to increase output and exports.

These proposed benefits will cost the Treasury an estimated I£1.5bn ($85m) a year.

The second law is to simplify and extend benefits offered to investors in industrial plants. Enterprises approved under the law for the encouragement of capital investment are to be exempted from income tax for the first five years.

New plants in Grade A Development areas are to get grants of 40 per cent of the total investment and a further 30 per cent in loans at 20 per cent interest — a low rate in comparison with the untaxed gain on Government bonds linked to the cost-of-living index comes to about 40 per cent at the current rate of inflation. Commercial bank credit is upward of 30 per cent. Lower grants and loans will be available in Class B development areas, while plants in the centre of the country are to get a 30 per cent loan on condition that at least a quarter of the output is exported. In addition, the law provides for company tax at the rate of only 40 per cent. Finally, new enterprises will be allowed to depreciate their buildings within five years, according to the Director of Internal Revenue, Moshe Neudorfer.

CSR sees year of consolidation

BY JAMES FORTH

SYDNEY, June 27.

CSR, the major sugar, minerals, building products, chemical and pastoral group, expects that capital expenditure in 1978-79 will be lower than A$93m (U.S.$107m) spent in the year to March 31. In their report with the accounts the CSR directors said the group was however, pressing on with major investment programmes. The A$93m capital expenditure in 1977-78 was itself about 9 per cent less than in the previous year. The directors said the group was reasonably liquid and that the cash flow was substantial.

The year ahead should be one of consolidation with slightly lower gearing and other financial ratios improved. The Board saw no immediate need to seek new equity unless some unexpected and profitable opportunity emerged. It was expected that holders of A$22.4m of debentures maturing in September would be given the opportunity to convert to new CSR securities.

As previously reported, CSR lifted profits almost 7 per cent, to A$43.8m in 1977-78, with the principal contribution coming from the minerals and chemicals division.

Referring to the minerals division the directors disclosed that Pilbara Iron lifted profits by A$2.8m to A$14.7m. CSR owns 68 per cent of Pilbara Iron, which in turn has a 30 per cent interest in the Mount Newman iron ore operation. The directors said that the Mount Newman associates had deferred previously contemplated expansion of the project from the present capacity of 20m tonnes of iron ore a year to 45m tonnes, but that construction of a A$100m heavy media beneficiation plant was proceeding.

The Japanese steel mills had indicated that they would be unable in the current year to take all the iron ore for which they had contracted but had given assurances that the Australian share of this market would be maintained at 48 to 50 per cent.

Total shipments by Mount Newman in the current year were expected to be about the same as in 1977-78, but the joint venture was in a good position to exploit increased shipment opportunities which were expected as the world economy recovered.

The coal offshoot, Buchanan Borehole Collieries (92.65 per cent owned by CSR) earned a profit of A$6m. Coal shipments totalled 1.258m tonnes and the company now had the capacity to produce 2.3m tonnes a year.

Gove Alumina, which is 51 per cent owned by CSR and has a 30 per cent interest in the Gove bauxitealumina venture in Queensland, earned a higher profit of A$7m. Gove Alumina and Swiss Aluminium were undertaking investigations and studies into the possibility of establishing an aluminium smelter in Australia.

Referring to the Hall Creek coking coal project in Queensland, in which CSR controls a 54 per cent interest through its A$46.5m takeover last year of 83 per cent of AAR, the directors said that it would be some years before steel markets recovered and development became feasible. But the carrying costs in the meantime would not be burdensome. The project involved a mine capable of producing 4.5m tonnes of coal a year.

Studies were being undertaken to determine the potential for development of the steaming coal reserves at Theodore (1,240m tonnes and 42.5 per cent owned by AAR) and Taroom (125m tonnes and 85 per cent owned by AAR).

STRAIGHTS	Bid	Offer
Alcan Australia 8¾pc 1989	96½	97½
AMEV 8pc 1987	94½	95½
Australia 8½pc 1992	92½	93
Australian M. & S. 9½pc '92	96½	97¼
Barclays Bank 8¾pc 1992	94½	95
Bowater 9½pc 1992	96½	97
Can. N. Railway 8¾pc 1986	94	94½
Credit National 8¾pc 1986	95½	96
Denmark 8¾pc 1984	97½	98½
ECS 9pc 1995	96½	99½
ECS 8½pc 1997	94½	94¾
EIB 8¾pc 1992	97	97½
EMI 9½pc 1989	97½	98½
Ericsson 8¾pc 1989	95½	96
Esso 8pc 1986 Nov.	99½	100
Gt. Lakes Paper 8½pc 1984	96½	97½
Hamersley 9½pc 1992	99½	100½
Hydro Quebec 9pc 1992	94½	95
ICI 8¾pc 1987	95½	96½
ISE Canada 9¼pc 1986	102½	103½
Macmillan Bloedel 9pc 1992	93½	94½
Massey Ferguson 9¼pc '91	94	99
Michelin 9¾pc 1988	100	100½
Midland Int. Fin. 8¾pc '92	94	94½
National Coal Bd. 8pc 1987	92½	93½
National Wstmnstr. 9pc '86	99½	100
Natl. Westmnstr. 9pc '86 'B'	99½	100
Newfoundland 9pc 1989	98	98½
Nordic Inv. Bk. 8¾pc 1988	96½	97
Norges Kom. Bk. 8¾pc 1992	95	95½
Norpipe 8¾pc 1989	94½	95½
Norsk Hydro 8¾pc 1992	94½	95¼
Oslo 9pc 1988	98½	99½
Ports Autonomes 9pc 1991	97½	98
Prov. Quebec 9pc 1995	93½	94
Prov. Saskatchwn. 8¾pc '86	97½	98¼
Reed International 9pc 1987	92½	94
RHM 9pc 1992	92½	93½
Selection Trust 8¾pc 1989	90	91
Shell Intl. Fin. 8¾pc 1990	94½	95½
Skand. Enskilda 9pc 1991	97	97½
SKF 8pc 1987	91½	92½
Sweden (K'dom) 8¾pc 1987	93½	94½
United Biscuits 9pc 1989	97	97½
Volvo 8pc 1987 March	92½	93½
NOTES		
Australia 7¾pc 1984	93½	94
Bell Canada 7¾pc 1987	95½	96
Br. Columbia Hyd. 7¾pc '85	91½	92½
Can. Pac. 8¾pc 1984	96½	97½
Dow Chemical 8pc 1986	98½	99
ECS 7¾pc '82	94½	95½
Enso Gutzeit 8¾pc 1984	96	96½
Gotaverken 7¾pc 1982	95½	96½
Kockums 8pc 1983	96½	97½
Michelin 8¾pc 1983	98½	99½
Montreal Urban 8¾pc 1981	98½	99
New Brunswick 8pc 1984	96	96½
New Bruns. Prov. 8¾pc '83	98	98½
New Zealand 8¾pc 1986	97½	98
Nordic Inv. Bk. 7¾pc 1984	94	94½
Norsk Hydro 7¾pc 1982	95½	96
Norway 7¾pc 1982	94½	95
Ontario Hydro 8pc 1987	93	93½
Singer 8¾pc 1982	99½	100½
S. of Scot. Elec. 8¾pc 1981	97½	98½
Sweden (K'dom) 7¾pc 1982	94½	95½
Swedish State Co. 7¾pc '82	94½	95
Telmex 9¾pc 1984	95½	96½
Tenneco 7¾pc 1987 May	91½	92½
Volkswagen 7¾pc 1987	95	95½
STERLING BONDS		
Allied Breweries 10½pc '90	87½	88½
Citicorp 10pc 1993	90½	91½
Courtaulds 9½pc 1989	88½	89½
ECS 9½pc 1989	94	95
EIB 9¼pc 1988	94½	95½
EIB 9¾pc 1992	91½	92½
Finance for Ind. 9¾pc 1987	89½	90½
Finance for Ind. 10pc 1989	91½	92½
Fisons 10½pc 1987	94½	95½
Gestetner 11pc 1988	90	91
INA 10pc 1988	90½	91½
Rowntree 10¾pc 1988	87½	88½
Sears 10½pc 1988	89	90
Total Oil 9½pc 1984	[illegible]	[illegible]

SELECTED EURODOLLAR BOND PRICES

MID-DAY INDICATIONS

DM BONDS	Bid	Offer
Asian Dev. Bank 5½pc 1988	96	96½
BNDE 6½pc 1986	96½	97½
Canada 4½pc 1983	97½	98½
Den Norske Id. Bk. 6pc '90	99½	100
Deutsche Bank 4½pc 1983	97½	98½
ECS 5½pc 1990	94½	95
EIB 5½pc 1990	94½	95
Elf Aquitaine 5½pc 1988	94½	95
Euratom 5½pc 1987	97½	98½
Finland 5½pc 1986	97½	98
Forsmarks 5½pc 1990	97½	98
Mexico 6pc 1985	98½	99½
Norcem 5½pc 1989	99½	100½
Norway 4½pc 1983	99	99½
Norway 4½pc 1983	97	97½
PK Banken 5½pc 1988	96	96½
Prov. Quebec 6pc 1990	[illegible]	97½
Rautaruukki 5½pc 1988	95	95½
Spain 6pc 1988	95½	96
Trondheim 5½pc 1988	96	96½
TVO Power Co. 6pc 1988	96½	97½
Venezuela 6pc 1988	96½	97½

FLOATING RATE NOTES	Bid	Offer
Bank of Tokyo 1984 8½pc	99½	100
BFCE 1984 8½pc	99½	99¾
BNP 1983 8 1/16pc	100¼	100½
BQE Worms 1985 9pc	98½	99
CCF 1985 8¾pc	99	99½
CGMF 1984 8 11/16pc	99½	99¾
Creditanstalt 1984 8½pc	99	99½
DG Bank 1982 9pc	100	100½
GZB 1981 8 11/16pc	99½	100¼
Intl. Westminster 1984 8pc	99½	99½
Lloyds 1983 8 15/16pc	100½	100¾
LTCB 1983 8pc	99½	100
Midland 1987 8 9/16pc	99½	99¾
Natl. Wstmnstr. '90 8 5/16pc	99½	100
OKB 1983 7½pc	99½	100½
SNCF 1985 8½pc	99½	99¾
Stand. and Chtrd. '84 8½pc	99½	99½

Source: White Weld Securities.

CONVERTIBLES	Bid	Offer
American Express 4¼pc '87	83	84½
Ashland 5pc 1988	97	98½
Babcock & Wilcox 6½pc '97	102½	103½
Beatrice Foods 4½pc 1992	96	97½
Beatrice Foods 4½pc 1992	106½	108
Beecham 6½pc 1992	95½	96½
Borden 5pc 1992	99	100½
Broadway Hale 4½pc 1987	75½	77
Carnation 4pc 1987	77½	79
Chevron 5pc 1988	125	126½
Dart 4½pc 1987	78½	80
Eastman Kodak 4½pc 1988	83½	84½
Economic Labs. 4½pc 1987	90	91½
Firestone 5pc 1988	80	81½
Ford 5pc 1988	85½	87
General Electric 4¼pc 1987	79½	81
Gillette 4½pc 1987	71½	73
Gould 5pc 1987	115	116½
Gulf and Western 5pc 1988	86	87½
Harris 5pc 1992	174½	175½
Honeywell 6pc 1986	84	85½
ICI 6¾pc 1992	88	89

Source: Kidder, Peabody Securities.

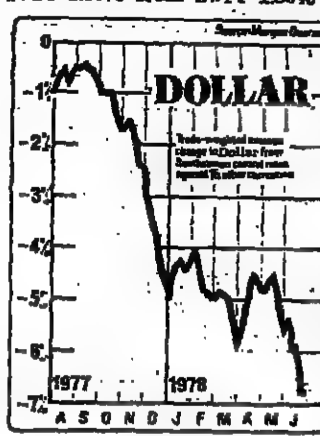
CURRENCY, MONEY and GOLD MARKETS

Dollar firm on trade figures

The foreign exchange market had to digest a considerable amount of statistical information yesterday, but none of it was particularly surprising and conditions were fairly quiet throughout.

There were fears that the U.S. trade deficit for May could be as high as $3.1bn, but a final figure of $2.24bn was very much in line with general expectations, while the West German trade surplus announced before the U.S. figures was also unspectacular. Market sources suggested that there was no particular evidence of intervention by central banks to push up the dollar, but it finished firmer overall.

The U.S. currency improved to DM 2.0805 from DM 2.0785 against the D-mark, and rose slightly to SwFr 1.8675 from SwFr 1.8645 in



terms of the Swiss franc. It also gained marginally against the Japanese yen, to Y206 from Y205.92½ on Monday.

A rise of only 1 per cent in the French retail price index for May was better than expected, and this tended to support the franc against other European currencies and the dollar.

Elsewhere the Danish krone declined against the dollar, as the Danish trade deficit widened last month, and consumer prices rose by nearly 1 per cent in May from April, while unemployment fell slightly.

The lira also lost ground, even though the rise in Italy's wholesale price index slowed last month.

Sterling showed little change, opening and closing at $1.8470-1.8480, a fall of 20 points on the day. It touched a high point of $1.8485-1.8495 before the U.S. trade figures were published. On Bank of England figures, the pound's trade-weighted index was unchanged throughout at 61.3, and the dollar's depreciation, as calculated by Morgan Guaranty, was also unchanged at 6.8 per cent.

FRANKFURT—The announcement of May trade figures by the U.S. and West Germany appeared to have little influence on trading. The dollar was quoted at DM2.0811 towards the close, compared with DM 2.0801 at the fixing. The size of the U.S. deficit, and the German surplus of DM 3.040bn, were within market estimates, although trading was rather nervous during the morning.

PARIS—The dollar eased in light trading towards the close after improving somewhat on news of the U.S. trade figures. The U.S. currency touched a best level of FFr 4.5625, before falling to FFr 4.5580, compared with FFr 4.5560 late Monday.

A smaller than expected rise in French retail prices in May helped the franc slightly. It finished at FFr 2.1900 against the Deutche Mark compared with the previous closing level of FFr 2.1960, and at FFr 2.4410, in terms of the Swiss franc, against Monday's level of FFr 2.4475, while sterling fell to FFr 8.4150 from FFr 8.4350 in the morning and FFr 8.4280 previously.

MILAN—The dollar improved against the lira at the fixing. It rose to L856.80 from the previous fixing level of L855.60. The Bank of Italy supported the U.S. currency, purchasing most of the $7m traded at the fixing. The Japanese yen eased to L4.158 from the previous record level of L4.154, and the lira also improved against most of the major European currencies.

AMSTERDAM—The dollar was slightly firmer in the afternoon, at Fl 2.2345, after being fixed at Fl 2.2335, compared with Fl 2.2280 on Monday.

TOKYO—The market was fairly steady ahead of yesterday's announcement of the U.S. trade figures for May. A deficit of less than $3bn was generally expected and the dollar improved slightly to Y206.27½ from Y206.25 on Monday in anticipation of this. The level of business was moderate to active, with spot turnover totalling $536m, and combined swap and forward was quite heavy at $822m. The trading range was from Y205.60 to Y206.70, and no intervention by the central bank was detected.

THE POUND SPOT

June 27	Bank rate %	Day's Spread	Close
U.S. $	7	1.8460-1.8495	1.8470-1.8480
Canadian $	8½	2.0785-2.0830	2.0790-2.0800
Guilder	4	4.11⅛-4.14	4.12½-4.13½
Belgian Fr.	5½	60.20-60.45	60.25-60.35
Danish Kr.	9	10.40-10.45½	10.42-10.43
D. Mark	3	3.83½-3.86	3.84-3.85
Port. Esc.	13	84.40-85.00	84.45-84.95
Span. Pes.	8	145.50-145.85	145.60-145.80
Lira	11½	1,580½-1,584	1,582½-1,583½
Nrwgn. Kr.	7	9.97-10.00	9.98½-9.99½
French Fr.	9½	8.41-8.44½	8.41½-8.42½
Swedish Kr.	7	8.47-8.48½	8.47½-8.48½
Yen	3½	374-385	380-382
Austria Sch	5½	27.60-27.75	27.65-27.75
Swiss Fr.	1	3.44½-3.47	3.44½-3.46½

Belgian rate is for convertible francs. Financial francs 60.60-60.80.

FORWARD AGAINST £

One month	% p.a.	Three months	% p.a.
0.53-0.43c. pm	3.79	1.45-1.35c. pm	3.03
0.65-0.55c. pm	3.46	1.78-1.68c. pm	3.27
2⅝-1⅝c. pm	6.54	7⅞-6⅞ c. pm	7.35
35-25 c. pm	5.97	95-85 c. pm	5.97
1⅛-3⅛ore dis	−2.88	7-9 ore dis	−3.07
3-2 pf pm	7.80	8⅞-7⅞ pf pm	3.16
65-185 c. dis	−12.04	125-475 c. dis	−14.17
par-100 c. dis	−4.12	50-175 c. dis	−2.46
par-2 lire dis	−1.14	par-4 lire dis	−0.50
par-2 ore dis	−1.20	1⅛-3⅛ ore dis	−1.00
1⅜-⅜ c. pm	1.60	4⅞-3⅞ c. pm	1.78
1 ore pm-3 ore dis	0.35	5-1 ore pm	0.94
2.75-2.60y. pm	8.95	7.80-7.45 y pm	8.06
17-7 gro pm	5.20	42-32 gro pm	5.34
3⅜-2⅜ gro pm	9.98	9-8 c. pm	9.85

Six-month forward dollar 2.85-2.75c pm. 12-month 5.20-5.10c pm.

THE DOLLAR SPOT

June 27	Day's spread	Close
Canad'n $*	88.76-88.90	88.77-88.80
Guilder	2.2325-2.2360	2.2350-2.2360
Belgian Fr	32.64-32.67	32.64⅞-32.66
Danish Kr	5.6280-5.6370	5.6355-5.6370
D-Mark	2.0755-2.0825	2.0815-2.0825
Port. Es	—	45.70-45.80
Lira	856.20-857.55	857.30-857.55
Nrwgn. Kr	5.3990-5.4080	5.4070-5.4080
French Fr	4.5580-4.5675	4.5580-4.5595
Swedish Kr	1.8685-1.8715	1.8705-1.8715
Yen	206.15-206.70	206.55-206.70
Austria Sch	—	14.98-14.9850
Swiss Fr	1.8685-1.8715	1.8705-1.8715

* U.S. cents per Canadian $.

FORWARD AGAINST $

One month	p.a. %	Three months	p.a. %
0.02-0.05c pm	0.22	0.06-0.01c pm	0.30
0.80-0.75c pm	4.10	2.34-2.29c pm	4.20
9-8c pm	2.97	28-25c pm	3.15
—			
0.80-0.75pf pm	4.42	2.85-2.80pf pm	5.31
—			
2.30-2.60lire dis	−3.28	7.00-7.75lire dis	−3.50
—			
0.45-0.55c dis	−1.25	1.00-1.20c dis	−0.89
—			
0.95-0.85y pm	5.01	2.75-2.60y pm	5.04
—			
1.15-1.10c pm	6.76	3.35-3.20c pm	6.91

CURRENCY RATES

June 27	Special Drawing Rights	European Unit of Account
Sterling	0.669855	0.669808
U.S. dollar	1.23571	1.23853
Canadian dollar	1.39129	1.39422
Austrian schilling	18.5140	18.5283
Belgian franc	40.3089	40.4810
Danish krone	6.95890	6.97224
Deutsche Mark	2.57040	2.57560
Guilder	2.75996	2.76532
French franc	5.63546	5.64662
Lira	1058.69	1060.39
Yen	255.174	255.464
Norwegian krone	6.66974	6.68890
Peseta	97.4836	97.5633
Swedish krona	5.67843	5.67788
Swiss franc	2.30880	2.31362

CURRENCY MOVEMENTS

June 27	Bank of England Index	Morgan Guaranty changes %
Sterling	61.28	−42.7
U.S. dollar	87.46	− 6.8
Canadian dollar	84.81	−12.9
Austrian schilling	140.00	+18.8
Belgian franc	110.52	+12.3
Danish krone	114.90	+ 5.9
Deutsche Mark	140.53	+36.8
Swiss franc	182.40	+76.0
Guilder	121.21	+18.3
French franc	99.72	− 4.5
Lira	56.33	−46.1
Yen	148.89	+42.3

Based on trade weighted changes from Washington agreement December, 1971 (Bank of England Index=100).

OTHER MARKETS

	£	$		£ Notes Rate
Argentina Peso	1,456-1,460	788.09-790.26	Austria	27½-28.0
Australia Dollar	1.6043-1.6203	0.8689-0.8765	Belgium	60-61½
Finland Markka	7.8750-8950	4.2630-4.2690	Denmark	10.30-10.45
Brazil Cruzeiro	32.71-33.71	17.70-18.25	France	8.35-8.50
Greece Drachma	67.488-69.165	36.53-37.43	Germany	3.80-3.90
Hong Kong Dollar	8.57¾-8.60	4.6490-4.6510	Italy	1560-1590
Iran Rial	126-132	68.20-71.45	Japan	380-390
Kuwait Dinar (KD)	0.501-0.511	0.2712-0.2766	Netherland	4.05-4.15
Luxembourg Franc	60.25-60.35	32.62-32.64	Norway	9.85-10.00
Malaysia Dollar	4.36¾-4.38	2.3680-2.3690	Portugal	80-84
New Zealand Dollar	1.7900-1.8079	0.9696-0.9780	Spain	143-146
Saudi Arabia Riyal	6.32-6.42	3.42-3.47	Switzerland	3.40-3.50
Singapore Dollar	4.28-4.29¼	2.3192-2.3202	United States	1.84-1.86
South African Rand	1.5981-1.6149	0.8650-0.8741	Yugoslavia	34-36

Rate given for Argentina is free rate.

EURO-CURRENCY INTEREST RATES*

June 27	Sterling	Canadian Dollar	U.S. Dollar	Dutch Guilder	Swiss Franc	W. German Mark	French Franc	Italian Lira	Asian $	Japanese Yen
†Short term	10⅛-10⅜	7¼-8¼	7⅜-7⅞	1½-2½	⅛-⅞	3⅛-3⅝	7¾-7⅞	8-12	—	2-4
7 days notice	10½-11	7¼-8¼	8-8¼	1½-2½	2-2⅛	3⅛-3⅝	7¾-7⅞	10½-11½	8⅛-8⅜	2⅛-4⅛
Month	10⅞-11⅛	7⅝-8	8⅛-8⅜	4⅛-4⅜	1¼-1⅜	3⅜-3⅝	9⅜-9⅝	11-12	8⅛-8¼	3⅛-3⅜
Three months	11⅜-11⅝	8-8½	8⅜-8⅝	4⅜-4⅝	1⅛-1⅝	3⅜-3⅝	9⅝-9⅞	11½-12½	8⅜-8½	3⅜-3⅝
Six months	12-12⅛	8½-8⅞	9⅛-9⅜	5-5¼	1⅞-2⅛	3⅛-3⅜	10⅛-10⅜	12½-13½	9⅛-9¼	3⅞-4⅛
One year	12⅛-12½	8¾-9⅛	9⅜-9⅝	5⅛-5⅜	2⅜-2⅝	3¼-3½	10⅝-10⅞	13-14	9⅛-9¼	4⅛-4⅜

The following nominal rates were quoted for London dollar certificates of deposit: One month 8.05-8.15 per cent; three months 8.30-8.40 per cent; six month 8.70-8.80 per cent; one year 8.95-9.05.

Long-term Eurodollar deposits: two years 9⅛-9⅞ per cent; three years 9⅞-9⅝ per cent; four years 9⅝-9⅞ per cent; five years 9⅞-9⅞ per cent. * Rates are nominal closing rates.

Short-term rates are call for sterling, U.S. dollars and Canadian dollars: two-days' notice for guilders and Swiss francs.

Asian rates are closing rates in Singapore.

EXCHANGE CROSS-RATES

June 27	Pound Sterling	U.S. Dollar	Deutsche Mark	Japanese Yen	French Franc	Swiss Franc	Dutch Guilder	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.848	3.845	381.0	8.418	3.453	4.132	1583	2.080	60.30
U.S. Dollar	0.541	1.	2.081	206.2	4.556	1.869	2.234	856.8	1.126	32.64
Deutsche Mark	0.260	0.480	1.	99.09	2.189	0.898	1.073	411.7	0.541	15.68
Japanese Yen 1,000	2.625	4.849	10.09	1000.	22.09	9.062	10.85	4155.	5.458	158.3
French Franc 10	1.188	2.195	4.568	452.5	10.	4.102	4.903	1881.	2.470	71.64
Swiss Franc	0.290	0.535	1.114	110.4	2.438	1.	1.196	458.5	0.602	17.47
Dutch Guilder	0.242	0.448	0.932	92.31	2.039	0.836	1.	383.5	0.504	14.61
Italian Lira 1,000	0.632	1.167	2.429	240.7	5.317	2.181	2.607	1000.	1.314	38.09
Canadian Dollar	0.481	0.888	1.849	183.2	4.048	1.660	1.985	761.2	1.	29.00
Belgian Franc 100	1.658	3.064	6.376	631.8	13.96	5.726	6.845	2625	3.449	100.

INTERNATIONAL MONEY MARKET

Dutch cut call money rate

The official Dutch call money rate was cut to 1 per cent from 3 per cent yesterday. This follows Central Government payments to local authorities which have resulted in increased liquidity. The rate now stands at its lowest level since September last year. In the interbank market, call money fell to ⅝ per cent from 3 per cent while one-month increased to 4⅞ per cent against 4⅝ per cent. The three-month rate also rose to 4¹¹⁄₁₆ per cent from 4⅝ per cent while six-month eased to 3⅞ per cent from 5¼ per cent.

BRUSSELS—Call money eased from 4½-5½ per cent to 3.95 per cent while rates for one and three-months were unchanged at 5½-5⅝ per cent and 5¾-5⅞ per cent respectively. Longer periods were also unchanged. At Tuesday's auction, the rate on Belgian four-month bond-fund papers was left unchanged at 6 per cent. Rates on one, two and three-month Treasury certificates were also unchanged at 5¼ per cent, 5½ per cent and 5¾ per cent respectively. It now seems probable that the official discount and Lombard rates will be unchanged at 5½ per cent after tomorrow's meeting of the Central Bank Board.

Frankfurt: Interbank money market rates were unchanged again at 3.55 per cent for call money through to 3.75 per cent for six-month funds.

Paris: Day-to-day money was firmer yesterday at 7¾ per cent compared with 7½ per cent on Monday. Longer periods were unchanged except for six-month funds which rose to 8⅜ per cent from 8⁵⁄₁₆ per cent.

Hong Kong: Conditions in the money market were tight with call money commanding 5 per cent and overnight business dealt at 4¾ per cent.

Manila: 30-day maturities were quoted at 9-12½ per cent; 60-day at 9½-12¾ per cent; 90-day and 120-day at 10-13 per cent. Philippine Treasury bills (90 day discount) were quoted at 11 per cent and Central Bank certificate issues were unchanged.

New York: Federal funds were slightly firmer at 7¾ per cent from 7¹¹⁄₁₆ per cent. Bankers accepted offered rates were unchanged from 7-70 per cent for 30-days through to 8.10 per cent for 180-days. Rates for high grade commercial paper were also unchanged.

Thirteen-week Treasury bills fell to 6.94 per cent from 6.967 per cent average at Monday's auction while 26-week bills eased to 7.39 per cent from 7.396 per cent. One year bills were quoted at 7.72 per cent against 7.73 per cent.

GOLD

Easier trend

In fairly inactive trading, gold lost $¾ an ounce to close at $184¾-185¼. The metal opened at $184½-185¼ and firmed slightly at the morning fixing to $185.10. At one point it touched $184¾-185¼ which was just prior to the announcement of the U.S. trade figures. The latter were received favourably which led to some selling.

In Paris the 12½ kilo bar was fixed during the afternoon at FFr 27,400 per kilo ($186.87 per ounce), compared with FFr 27,375 ($186.46) in the morning, and FFr 27,350 ($186.46) Monday afternoon.

GOLD

	June 27	June 26
Gold Bullion (a fine ounce)		
Close	$184¾-185¼	$184½-185¼
Opening	$184½-185¼	$184½-185¼
Morning fixing	$185.10 (£100.178)	$185.10 (£100.124)
Afternoon fixing	$184.25 (£99.756)	$185.25 (£100.157)
Gold Coins domestically		
Krugerrand	$194-196 (£105-106)	$191½-193½ (£103½-104½)
New Sovereigns	$54¼-56¼ (£29½-30½)	$54¼-56¼ (£29½-30½)
Old Sovereigns	$54¼-56¼ (£29½-30½)	$54¼-56¼ (£29½-30½)
Gold Coins internationally		
Krugerrand	$190-192 (£103-104)	$190½-192½ (£103-104)
New Sovereigns	$52½-54½ (£28½-29½)	$55-58 (£29½-29½)
Old Sovereigns	$54¼-56¼ (£29½-30½)	$54¼-56¼ (£29½-30½)
$20 Eagles	$275½-277½	$275½-277½
$10 Eagles	$137-140	$136-141
$5 Eagles	$97-100	$97-102

UK MONEY MARKET

Further shortage

Bank of England Minimum Lending Rate 10 per cent (since June 8, 1978)

Day-to-day credit was again in short supply in the London money market yesterday and the authorities intervened by buying a small amount of Treasury bills direct from the houses and lending a small sum to 2 or 3 houses at MLR, for repayment today. Total assistance was probably not enough to completely alleviate the shortage and discount houses ended up paying between 9½ per cent and 9¾ per cent for secured loans.

The market was faced with a slight increase in the note circulation and the repayment of Monday's small advances. Revenue transfers to the Exchequer exceeded Government disbursements and funds were also drained by the second call on the Exchequer 12 per cent 2013/17 long tap stock.

In the interbank market, overnight loans opened at 10¼-10½ per cent and firmed to 10¼-10½ per cent on news of a shortage. However, conditions eased slightly to touch 9¼-9¾ per cent at one time before closing balances were taken at 10-10½ per cent.

Rates in the table below are nominal in some cases.

LONDON MONEY RATES

June 27 1978	Sterling Certificate of deposits	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount market deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	9⅛-10½	—	—	—	10⅝	9½-10	—	—	—
2 days notice	—	—	10-10¼	—	—	10½	—	—	—	—
7 days or 7 days notice	—	10-10¼	10⅛-10¼	—	10½	—	9¾-10	—	—	—
One month	10⅛-9⅞	10⅛-10⅛	9⅞-10⅛	10⅜-10	10½	10⅝	9½-9⅝	9⅜-9⅜	9⅝	10½
Two months	10⅛-9⅞	10⅛-10¼	—	10¼-9¾	10⅝	—	9½	9¼	9⅝	10½
Three months	10⅛-10	10⅛-10⅛	9⅞-10	10¼-9¾	10½	10⅝	9⅝-9½	9⅜-9⅜	9⅝	10⅝
Six months	10⅜-10⅛	10¼-10⅛	10-10¼	10¼-9¾	10¾	—	—	—	9⅝	10⅝
Nine months	10⅜-10¼	10¼-10⅛	—	10¼-9¾	—	—	—	—	—	—
One year	10⅜-10½	10⅛-10½	10⅛-10⅜	10⅜-10	—	—	—	—	—	—
Two years	—	—	10⅛-10¾	—	—	—	—	—	—	—

Local authority and finance houses seven days' notice, others seven days' fixed. Longer-term local authority mortgage rate nominally three years 11¾-11⅞ per cent; four years 11⅞-12 per cent; five years 12⅛-12¼ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 9¾ per cent; four-month trade bills 10½ per cent.

Approximate selling rates for one-month Treasury bills 9⅟₁₆-9⁵⁄₃₂ per cent; two-month 9¼ per cent; and three-month 9⅟₃₂-9⅜ per cent. Approximate selling rate for one-month bank bills 9¹¹⁄₁₆ per cent; and two-month 9¹¹⁄₁₆ per cent; and three-month 9¾ per cent. One-month trade bills 10⅛ per cent; two-month 10⅛ per cent; and also three months 10¼ per cent.

Finance House Base Rates (published by the Finance Houses Association) 9½ per cent from June 1, 1978. Clearing Bank Deposit Rates (for small sums at seven days' notice) 6¾-7 per cent. Clearing Bank Base Rates for lending 10 per cent. Treasury Bills: Average tender rates of discount 9.2546 per cent.

MONEY RATES

NEW YORK	
Prime Rate	8.75
Fed. Funds	7.78125
Treasury Bills (13-week)	6.94
Treasury Bills (26-week)	7.39
GERMANY	
Discount Rate	3
Overnight	3.55
One month	3.55
Three months	3.65
Six months	3.75
FRANCE	
Discount Rate	7.5
Overnight	7.875
One month	7.8125
Three months	8.125
Six months	8.375
JAPAN	
Discount Rate	3.5
Call (Unconditional)	4.50
Bills Discount Rate	4.875

WORLD STOCK MARKETS

Wall St. up 5; gaming issues under pressure

INVESTMENT DOLLAR PREMIUM

$2.60 to £1—109% (110%)
Effective $1.8475 (48¼%) (49¼%)

MODEST GAINS were recorded on Wall Street yesterday as share prices reacted to the sharp falls on Monday.

Attention was again focussed on gaming issues, which came under heavy selling pressure early in the session, but later recouped some of their losses.

The Dow Jones Industrial Average closed 5.03 ahead at 817.31, while the NYSE All Common Stocks index recorded a rise of 16 cents at $55.35.

Volume was moderate at 29.28m shares—up 730,000 on Monday's total—with declines outnumbering gainers 786-to-638.

A Commerce Department report that the U.S. trade deficit narrowed in May to $2.24bn from $2.86bn in April had little impact on sentiment.

A vote by the Senate prohibiting President Carter from imposing oil import fees could adversely effect the stock market. Investors have been sensitive lately to dollar weakness and the Senate's measure, although requiring approval of the House for it to take effect, could have a negative impact on the dollar in Europe.

Among gaming stocks, **Bally Manufacturing** lost $1½ to $34¼, **Playboy** $⅜ to $23, **Caesars World** $1¼ to $24¼, **Hurrah's** $1¼ to $24 and **Del E. Webb** $2¼ to $21¼.

Ramada Inns headed the active list again, dropping $⅝ to $7⅞. *Penn Central*, in second place, tumbled $1½ to $2¼—published reports suggested that investors had been purchasing Penn Central shares on misinformation about securities to be issued when the company emerges from bankruptcy.

Texaco was unchanged at $23¾ in heavy trading, including a block of 198,900 shares at $23¾.

Colonial Stores, which rose $1 on Monday, added another $1¼ to close at $23¼. The company said it knew of no reason for the climb.

IBM, which introduced some enhancements to its series-1 computer, rose $2⅜ to $260⅛. **Teledyne** advanced $1¼ to $96¼, **Kodak** $1 to $53⅞, **Raytheon** $1¼ to $45¼, **Xerox** $1¼ to $52, **Honeywell** $1¼ to $55 and **Hewlett-Packard**, which introduced two new computer systems, $1¼ to $80.

Johnson Controls dropped $1¼ to $26¼—it plans to begin an offer for **Globe-Union** shares at $40 each. *Globe* eased $⅜ to $36⅜.

Talcott National was a big percentage loser, sliding $⅞ to $3¼. *Gulf and Western* will not buy its factoring unit, but Talcott said it had an offer from another group.

On the **AMERICAN SE** prices fell in active trading, the index losing 0.82 to 144.77. The average price per share dropped 10 cents.

Volume totalled 4.88m shares (3.54m on Monday).

Husky Oil, which accounted for nearly a quarter of the Amex turnover, dropped $4 to $43¼. An influential oil investment letter advised holders to take profits.

Separately, **Petro-Canada** said it was re-evaluating its offer to buy *Husky at $52 a share*, Canadian funds.

Resorts International "A" *slumped* $10¼ to $70 while its "B" stock dipped $15½ to $73. Resorts was the subject of bearish Press comment.

Canada

Share prices retreated in active trading on Canadian Stock Markets yesterday. The Toronto Stock Exchange index eased 3.2 to 1,120.5 and the Montreal composite index 0.54 to 189.22.

Among the sectors, Oils fell back 7.4 to 1,428.4 and Utilities 1.03 to 170.32.

Husky Oil fell C$3¾ to C$48¼. Alberta Gas Trunk Line said it held 23 per cent of Husky's shares. **Occidental Petroleum's** offer for Husky is conditional upon 80 per cent of the shares being tendered. Occidental lost $1 to $20⅞.

Canada Tungsten Mining dropped C$1¼ to $15⅞ on 53,931 shares. Trading halted from the opening until 1 pm pending results of Amax Securities' C$19 a share offer for up to 800,000 shares of Canada Tungsten.

Germany

Stock prices closed generally higher in busy trading, the Commerzbank index gaining 1.8 to 789.9.

The rally in prices towards the end of the session followed a growing feeling that the economic outlook was getting better, combined with the realisation that losses on Monday were overdone.

Motors led the way, with **Volkswagenwerk** gaining DM 3.80 to DM 212, **Daimler-Benz** DM 1.70 to DM298.50xd and *BMW* DM 20.50 to DM 264.

Stores were also in favour, **Kaufhof** advancing DM 4.50 to DM 220 xd, **Karstadt** moving up DM 5 to DM 318 and **Horten** one *mark to DM 130.50.*

In higher Electricals, **AEG** gained DM 1.70 to DM 78.50 and **Siemens** DM 1.50 to DM 290, while Banks and Utilities were also higher.

Steels were mixed and machines and chemicals lower. **Bayer** shed DM 1.20 to DM 136.40.

Public authority bonds continued their weak trend, losing up to 40 pfennigs. The regulating authorities purchased DM 61.9m worth of paper (DM 96.3m on Monday).

Paris

The market's lower trend was *maintained in quiet trading*, the bourse index dropping nearly two points to 66.5.

Trading was discouraged by the continued labour unrest, the rise in call money and fears of higher retail price *indices in the months* ahead—in spite of the unexpectedly low rise of 1 per cent *published yesterday*.

BSN eased FFr 14 to FFr 510 and **Peugeot-Citroen** FFr 12½ to FFr 361, while **Ferodo** also moved lower.

Beghin, Kleber, and Perrier were among shares unquoted due to an influx of selling orders.

Pechiney moved against the trend, gaining FFr 9.30 to FFr 97.80.

Tokyo

Prices continued to ease, the Nikkei-Dow Jones indicator falling 9.17 to 5,472.10.

Trading volume totalled a slow 230m *shares*—up 50m on the previous session.

Speculative stocks such as *Yamato Kogyo and* **Shindengen Electric** fell under liquidation selling pressure. Giant capital issues such as **Hitachi** and **Mitsubishi Heavy Industries** also lost ground, retreating Y2 each to Y247 and Y123 respectively.

Fashion-related issues drew buyer attention and some segments of export Electric stocks such as **Matsushita Communications** and **Toyo Kogyo** moved up. Drugs such as **Daiche Seiyaku** and **Nippon Shinyaku** also advanced.

Japan Security Patrol rose Y160 to Y2,130, **Kaken Chemical** Y30 to Y1,280, **Mochida Pharmaceutical** Y80 to Y1,650, **JGC Corp.** Y70 to Y1,100, **Eisai** Y60 to Y1,230, **TDK Electronics** Y60 to Y2,100, **Nippon Chemiphar** Y30 to Y1,200, and **Nippon Denso** Y30 to Y1,410.

Headed the other way, **Nippon Television Network** lost Y100 to Y6,250, **Akita Bank** Y50 to Y3,600, **Nippon Telecommunication Construction** Y40 to Y2,820, **Matsushita Seiko** Y30 to Y1,170, **Maruzen** Y26 to Y380, *Santen Pharmaceutical* Y24 to Y490, **Miyoshi Oil and Fat** Y23 to Y262, **Diesel Kiki** Y20 to Y1,400, and **Sony** Y20 to Y1,630.

Australia

Price movements were mixed on Australian stock markets, with some leading mining issues easing after a firm start.

Utah fell 20 cents to A$4 on the strike which has stopped its coal production, but **Coal and Allied** rose 5 to A$3.95 and **Oakbridge** 4 to A$1.70.

Among Uraniums, **Panconti-nental** lost 30 to A$13.70, but **Peko** rose 10 to A$5.30.

Copper stocks rose a few cents, while **North BH** moved up 3 cents *to* A$1.33 and **BH South** 3 to A$1.21, but **CRA** lost 4 to A$2.50.

Among Industrials, **BHP** fell 4 *cents to* A$6.94, but *Elder Smith* was steady at A$2.20 while **ACI** gained a cent to A$1.62.

Banks were mostly steady, although the National rose 3 cents to A$2.41 and the CBA 2 to A$2.37.

Hong Kong

Shares advanced in moderate trading, the Hang Seng index putting on 4.09 to close at 541.04.

Hong Kong Bank rose 10 cents to HK$ 17.70, **Hong Kong** *Land* 10 to HK$ 9.35, **Hutchison Whampoa** 10 to HK$ 6.05, **Jardine** 10 to HK$ 15.50, **Swire Pacific "A"** *10 to* HK$ 8.00 and **Wheelock "A"** 7½ cents to HK$ 3.10.

Milan

Most prices closed lower for the *second consecutive session* as lack of demand allowed scattered sales to cause widespread losses.

Trading was extremely slow with the day's volume about a quarter of the average as investors awaited the selection of a new President.

ANIC improved L2.75 to L98.25 in Chemicals, but **Snia Viscosa** lost L2 *to* L715 *and* **Montedison** L2.25 to L146.25.

Brussels

Price changes were mixed to mostly lower in moderate trading.

Cobepa, Electrafina, St. Roch, Finoutremer and **Andre Dumont** rose, but **Hoboken** dipped BFr 25 to BFr 2,245, **Solvay** BFr 40 to BFr 2,355 and **CBR** BFr 10 to BFr 1,140.

Amsterdam

Shares were generally lower, *the bourse general index falling* 0.3 to 92.3.

In mixed Internationals, **Akzo** *dipped 40 cents to* Fl 28.90 and **Hoogovens** 40 cents to Fl32.30, while Royal Dutch edged 10 cents *ahead at* Fl.130.

Firm shares included **KLM**, up Fl.3.50 to Fl.145.50, **Algemene Bank Nederland**, *Fl.1.50 higher at* Fl.363.50, and **Middenstandsbank**.

Switzerland

The market fluctuated narrowly in a quiet settlement day's trading influenced by the overnight fall on Wall Street.

Among leading Industrials, **Saurer Bearer** rose on speculative demand.

Utilities were again in demand, with both **Laufenburg** shares higher.

Johannesburg

Golds closed showing an easier bias, reflecting a general lack of interest. Losses were small ranging up to 25 cents in *heavier-priced shares.*

NOTES: Overseas prices shown below exclude $ premium. Belgian dividends are after withholding tax.
◆ DM50 denom. unless otherwise stated, yields based on net dividends plus tax. ♥ Ptas.500 denom. unless otherwise stated. ♣ Kr.100 denom. unless otherwise stated. ⊕ Frs.500 denom. and Bearer shares unless otherwise stated. ¶ Yen 50 denom. unless otherwise stated. $ Price at time of suspension. *a* Florins. *b* Schillings. *c* Cents. *d* Dividend after pending rights and/or scrip issue. *e* Per share. *f* Francs. *g* Gross. div. %. *h* Assumed dividend after scrip and/or rights issue. *k* After local taxes. *m* % tax free. *n* Francs: including Unilac div. *p* Nom. *q* Share split. *s* Div and yield exclude special payment. *t* Indicated div. *u* Unofficial trading. *v* Minority holders only. *y* Merger pending. * Asked. † Bid. § Traded. ‡ Seller. *z* Assumed. *xr* Ex rights. *xd* Ex dividend. *xc* Ex scrip issue. *xa* Ex all. Δ Interim since increased.

NEW YORK

Stock	June 27	June 26	Stock	June 27	June 26	Stock	June 27	June 26	Stock	June 27	June 26	Stock	June 27	June 26
Abbott Labs	32¼	32⅛	Corning Glass	55	55⅛	Johns Manville	30½	30½	Revlon	48¼	47⅝	Woolworth	18½	18⅝
Addressograph	21	22	CPC Int'n'tional	51¼	51	Johnson Johnson	80¾	81¼	Reynolds Metals	28⅝	28⅛	Wyly	4	4
Aetna Life & Cas.	39¼	38⅞	Crane	28¼	28¼	Johnson Control	26⅛	27⅛	Reynolds R. J.	54¼	54	Xerox	53	50¾
Air Products	27¾	28	Crocker Nat	26	26½	Joy Manufactur'g	33⅞	33⅞	Rich'son Merrell	25¼	25⅜	Zapata	15⅝	15½
Alcan	50	50	Crown Zellerbach	30⅜	30⅜	K. Mar Corp.	24⅝	24⅝	Rockwell Inter.	31¾	31⅝	Zenith Radio	14	13¾
Alcan Aluminium	26⅞	26¾	Cummins Engine	36⅝	38	Kaiser Aluminium	31⅝	31⅛	Rohm & Haas	33	33⅛	U.S. Treas 4% 1980	†94½	†94½
Alcoa	42⅜	41⅜	Curtiss Wright	15⅞	16½	Kaiser Industries	2	2				U.S. Treas 4% 75/85	†79⅛	†80
						Kaiser Steel	23¾	23⅝				U.S. 90 day bills	6.95%	6.96%
			Dana	26⅞	26⅞	Kay	12½	12⅜	Royal Dutch	58¾	58⅛			
			Dart Industries	42⅛	42	Kennecott	25	25⅛	RTE	14¼	14½			

Control Data	32⅜	32⅛
Cooper Indus.	54¼	54⅜
IU International	11¼	11½
Jim Walter	29⅞	30
Western Union	16¼	16½
Westinghse Elec.	20¾	21
Weyerhaeuser	24	24
Whirlpool	22	22
White Con. Ind.	22	22⅛
William Co.	16¼	16
Wisconsin Elect.	28	28

Walker Hiram	32⅜	33⅜
West Coast Trans.	11	11¼
Weston (Geo.)	17¼	17¼

† Bid ‡ Asked § Traded. ¶ New stock

EUROPEAN OPTIONS EXCHANGE

Option	Price	July Close	July Vol.	Oct. Close	Oct. Vol.	Jan. Close	Jan. Vol.	Equity close
ABN	F330	—	—	36	1	33.50	5	F353.50
ABN	F350	14	7	8	1	—	—	F353.50
ABN	F360	—	—	3	1	—	—	F353.50
Akzo	F27.50	—	—	1.50	13	2.90	18	F28.90
Akzo	F30	—	—	—	—	1.60	5	F28.90
Akzo	F32.50	—	—	—	—	—	—	F28.90
ARB	F70	—	—	7	5	—	11	F75.90
ARB	F75	1.50	—	5½	14	—	—	F75.90
E. Kodak	$50	—	—	1⅝	7	2¾	2	$54
E. Kodak	$60	—	—	4	—	—	—	$55
FNC	$35	—	—	—	—	1½	5	$23.02
GM	$60	—	—	2⅝	2	—	—	$59.10
IBM	$240	—	—	22½	2	—	—	$258.08
IBM	$260	5½	—	11⅞	1	—	—	$258.08
IBM	$280	⅝	20	4½	5	6⅝	3	$258.08
KLM	F150	—	—	9	14	17	41	F146
KLM	F160	3.00	24	6.50	21	10	7	F146
KLM	F170	1.40	6	4.30	31	8.60	1	F146
KLM	F180	0.60	5	3.80	22	6	51	F146
KLM	F190	—	—	1.80	10	3	10	F146
KLM	F200	0.30	20	2.20	65	3	6	F146
KLM	F220	—	—	1.10	6	—	—	F146
Philips	F25	1.80	21	2	4	—	—	F26.20
Philips	F27.50	—	—	0.90	10	1.60	19	F26.20
R. D. Shell	F130	—	—	4.50	7	—	—	F129.90
R. D. Shell	F140	—	—	—	—	2.70	6	F129.90
Schlumb'rger	$20	2½	2	—	—	—	—	$22½
T.	$65	—	—	—	—	⅝	1	$60
Unilever	F110	—	—	12	1	12.70	2	F120.70
Unilever	F120	—	—	4	10	5.50	15	F120.70
Unilever	F130	—	—	1.50	10	—	—	F120.70

BASE LENDING RATES

A.B.N. Bank	10 %	■ Hambros Bank	10 %
Allied Irish Banks Ltd.	10 %	■ Hill Samuel	§10 %
American Express Bk.	10 %	C. Hoare & Co.	†10 %
Amro Bank	10 %	Julian S. Hodge	11 %
A P Bank Ltd.	10 %	Hongkong & Shanghai	10 %
Henry Ansbacher	10 %	Industrial Bk. of Scot.	9 %
Banco de Bilbao	10 %	Keyser Ullmann	10 %
Bank of Credit & Cmce.	10 %	Knowsley & Co. Ltd.	12 %
Bank of Cyprus	10 %	Lloyds Bank	10 %
Bank of N.S.W.	10 %	London Mercantile	10 %
Banque Belge Ltd.	10 %	Edward Manson & Co.	11½%
Banque du Rhone	10½%	Midland Bank	10 %
Barclays Bank	10 %	■ Samuel Montagu	10 %
Barnett Christie Ltd.	11 %	■ Morgan Grenfell	10 %
Bremar Holdings Ltd.	11 %	National Westminster	10 %
Brit Bank of Mid. East	10 %	Norwich General Trust	10 %
■ Brown Shipley	10 %	P. S. Refson & Co.	10 %
Canada Perm't. Trust	10 %	Rossminster Accept'cs	10 %
Capitol C & C Fin. Ltd.	10 %	Royal Bk. Canada Trust	10 %
Cayzer Ltd.	10 %	Schlesinger Limited	10 %
Cedar Holdings	10½%	E. S. Schwab	11½%
■ Charterhouse Japhet	10 %	Security Trust Co. Ltd.	11 %
Choulartons	10 %	Shenley Trust	11 %
C. E. Coates	11 %	Standard Chartered	10 %
Consolidated Credits	10 %	Trade Dev. Bank	10 %
Co-operative Bank	*10 %	Trustee Savings Bank	10 %
Corinthian Securities	10 %	Twentieth Century Bk.	11 %
Credit Lyonnais	10 %	United Bank of Kuwait	10 %
The Cyprus Popular Bk.	10 %	Whiteaway Laidlaw	10½%
Duncan Lawrie	10 %	Williams & Glyn's	10 %
Eagil Trust	10 %	Yorkshire Bank	10 %
English Transcont.	10 %		
First London Secs.	10 %		
First Nat. Fin. Corpn.	11 %		
First Nat. Secs. Ltd.	11 %		
■ Antony Gibbs	10 %		
Greyhound Guaranty	10 %		
Grindlays Bank	‡10 %		
■ Guinness Mahon	10 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 7%, 1-month deposits 7¼%.
† 7-day deposits on sums of £10,000 and under 6%, up to £25,000 7½% and over £25,000 7¾%.
‡ Call deposits over £1,000 7%.
§ Demand deposits 7¼%.

GERMANY ◆

June 27	Price Dm.	+ or —	Div. %	Yld. %
AEG	78.5	+1.7	—	—
Allianz Versich.	485	—2	31.2	3.2
BMW	264	—20.5	28.88	5.5
BASF	128.1xd	—0.2	18.76	7.3
Bayer	136.4	—1.2	18.75	6.9
Bayer. Hypo.	280.6	—0.4	28.12	5.0
Bayer. Vereinsbk.	315	+0.5	18	2.9
Ciba Int. Ned. wrts	165	....	—	—
Commerzbank	225.2	+0.5	17	7.8
Conti Gummi	74.5	+0.5	—	—
Daimler Benz	298.5xd	+1.7	28.12	4.7
Degussa	257	—1	17	3.3
Demag	166.5	—1.5	14	4.5
Deutsche Bank	302.2xd	+1.7	28.12	4.7
Dresdner Bank	237.5	+0.4	28.12	6.0
Dyckerhoff Zemt.	168xd	—4	9.38	2.5
Gutehoffnung	205.0	—0.5	12	2.9
Hapag Lloyd	119	....	14.04	5.8
Harpener	292.5	—1.5	18.72	5.5
Hoechst	128.1	+0.5	18.75	7.4
Hoesch	46.5	—0.6	4	4.4
Horten	130.5	+1.0	9.36	3.6
Kali und Salz	137	+1.0	14.04	5.1
Karstadt	318	+5.0	23.44	3.7
Kaufhof	220xd	+4.5	18.72	4.3
Klockner DM 100	89.8	—0.2	—	—
KHD	185.5	+0.8	18.76	5.2
Krupp	94.5	....	—	—
Linde	247	+4	25	5.1
Lowenbrau 100	1,415	+5	25	8.9
Lufthansa	109.5	—0.5	9.36	4.3
MAN	198	—1	12	3.1
Mannesmann	166	....	17.18	5.4
Metallges	215	—2	10	2.3
Munchener Ruck.	545	—5	18	1.7
Neckermann	159	+2.5	—	—
Preussag DM 100	118	—0.1	—	—
Rhein West. Elect.	189.5	+1.5	25	6.6
Schering	269	+2.5	28.12	5.2
Siemens	290	+1.5	16	2.8
Sud Zucker	244.9	+0.4	25.56	5.4
Thyssen A.G.	117.2	+0.3	17.18	7.3
Varta	174.5	....	14	4.0
VEBA	116.9	+0.3	12	5.0
Vereins & West Bk	291	+1	18	5.1
Volkswagen	212	+3.8	25	6.0

TOKYO ¶

June 27	*Prices Yen	+ or —	Div. %	Yld. %
Asahi Glass	336xd	—5	14	2.1
Canon	465xd	—2	12	1.3
Casio	625	+14	25	2.0
Chinon	350	—5	20	2.9
Dai Nippon Print	540	—2	18	1.7
Fuji Photo	545	+1	15	1.4
Hitachi	247	—2	12	2.4
Honda Motors	574	—1	18	1.6
House Food	1,150	—10	35	1.5
C. Itoh	228	—1	12	2.6
Ito-Yokado	1,340	+10	30	1.1
Jaccs	690	—8	13	0.9
J.A.L.	2,650	....	—	—
Kansai Elect Pw	1,160	+10	10	4.3
Komatsu	350xd	+1	18	2.5
Kubota	278	—2	15	2.7
Kyoto-Ceramic	4,010	—10	35	0.4
Matsushita Ind	716	—2	20	1.4
Mitsubishi Bank	278	—1	10	1.8
Mitsubishi Heavy	123	—2	12	4.9
Mitsubishi Corp.	428	—3	13	1.5
Mitsui & Co.	319	+2	14	2.2
Mitsukoshi	576	....	20	1.7
Nippon Denso	1,410xd	+30	15	0.5
Nippon Shimpan	721	—18	12	0.8
Nissan Motors	601	+3	16	1.0
Pioneer	1,700	+20	46	1.4
Sanyo Electric	270	—1	12	2.2
Sekisui Prefab	861	—4	30	1.7
Shiseido	1,130	+20	20	0.9
Sony	1,650	—20	40	1.2
Taisho Marine	234	....	11	2.4
Takeda Chemical	380	+7	15	2.0
TDK	2,100	+60	30	0.7
Teijin	120	—1	10	4.2
Tokio Marine	482	—5	11	1.1
Tokio Elect Pow'r	1,030	....	8	3.9
Tokyu Sanyo	321	+9	12	1.9
Tokyo Shibaura	141	—2	10	3.5
Toray	145	+2	10	3.4
Toyota Motor	930xd	—61	20	1.1

Source Nikko Securities, Tokyo

BRUSSELS/LUXEMBOURG

AUSTRALIA

June 27	Aust. $	+ or —
ACMIL (25 cents)	†0.65	......
Acrow Australia	†0.84	......
Allied Mng. Tndg. Inds. $1	†2.14	+0.04
Ampol Exploration	†1.25	......
Ampol Petroleum	†0.83	+0.01
Assoc. Minerals	†1.15	+0.01

BRAZIL

June 27	Price Cruz	+ or —	Div. Cruz	Yld. %
Acesita OP	1.00	—0.05	0.12	12.00
Banco do Brasil	2.05	+0.02	0.17	8.29
Banco Itau	1.35	.....	0.37	27.4
Belgo Mineira OP	2.16	+0.01	0.08	3.70
Lojas Amer. OP	3.15	+0.01	0.20	6.35
Petrobras PP	2.80	+0.06	0.13	4.64

AMSTERDAM

SWITZERLAND ◦

COPENHAGEN ♣

MILAN

VIENNA

PARIS

OSLO

JOHANNESBURG

STOCKHOLM

SPAIN ♥

Indices

NEW YORK—DOW JONES

	June 27	June 26	June 23	June 22	June 21	June 20	1978 High	1978 Low	Since compilat'n High	Since compilat'n Low
Industrial	817.31	812.28	823.02	827.70	824.93	830.94	866.51 (6/6)	742.12 (28/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bn'ds*	87.46	87.52	87.59	87.85	88.01	88.02	90.66 (4/1)	87.46 (27/6)	—	—
Transport	217.53	216.49	219.61	220.86	219.86	221.17	231.55 (6/6)	[illegible] (9/1)	279.88 (7/2/69)	13.23 (8/7/32)
Utilities	104.50	104.19	104.65	104.69	104.26	104.26	110.98 (3/1)	102.84 (22/2)	163.32 (20/4/69)	10.58 (28/4/42)
Trading vol. 000's †	29,280	28,256	28,540	27,180	29,180	27,570	—	—	—	—

*Basis of index changed from August 24

Ind. div. yield %	June 23	June 16	June 9	Year ago (approx.)
	5.68	5.58	5.43	4.83

STANDARD AND POORS

	June 27	June 26	June 23	June 22	June 21	June 20	1978 High	1978 Low	Since Compilat'n High	Since Compilat'n Low
‡Industrials	104.92	104.49	105.80	106.41	106.15	106.85	110.69 (6/6)	95.52 (6/3)	134.54 (11/1/73)	3.52 (30/6/32)
§Composite	94.98	94.60	95.65	96.24	95.61	96.51	100.32 (6/6)	86.90 (6/3)	125.85 (11/1/73)	4.40 (1/6/32)

	June 22	June 14	June 7	Year ago (approx.)
Ind. div. yield %	5.07	4.90	4.86	4.57
Ind. P/E Ratio	9.11	9.44	9.51	10.22
Long Govt. Bond yield	8.52	8.44	8.43	7.57

N.Y.S.E. ALL COMMON

June 27	June 26	June 23	June 22	1978 High	1978 Low
55.35	55.19	55.98	54.07	56.20 (6/6)	48.37 (6/3)

Rises and Falls

	June 27	June 26	June 23
Issues traded	1,886	1,898	1,880
Rises	638	305	695
Falls	786	1,237	745
Unchanged	462	356	440
New Highs	—	—	31
New Lows	—	—	41

MONTREAL

	June 27	June 26	June 23	June 22	1978 High	1978 Low
Industrial	180.[illegible]	188.82	—	181.59	186.68 (15/6)	162.90 (16/2)
Combined	189.22	189.76	—	189.58	194.08 (6/6)	176.82 (30/1)

TORONTO Composite	1120.5	1125.7	1128.5	1,128.9	1146.6 (15/6)	[illegible] (30/1)

JOHANNESBURG						
Gold	221.8	222.2	225.5	225.1	234.5 (21/6)	185.0 (20/4)
Industrial	235.9	238.5	238.2	240.0	242.2 (20/6)	194.[illegible] (15/3)

	June 27	Previous	1978 High	1978 Low
Australia (¶)	493.29	492.53	501.34 (13/6)	441.19 (1/3)
Belgium (‡)	98.72	98.08	101.16 (8/6)	90.43 (25/1)
Denmark (**)	94.35	94.48	98.13 (9/1)	94.00 (6/2)
France (††)	66.5	68.4	71.2 (30/5)	47.5 (3/2)
Germany (‡‡)	789.9	788.1	812.7 (10/3)	759.4 (17/5)
Holland (§§)	84.0	84.6	87.0 (8/6)	78.0 (6/4)
Hong Kong (¶¶)	541.04	536.95	562.51 (19/6)	383.44 (13/1)
Italy (‖‖)	61.74	61.88	64.25 (22/6)	55.46 (10/1)
Japan (a)	412.18	412.56	416.11 (19/6)	364.04 (4/10)
Singapore (b)	331.78	332.39	332.77 (23/6)	282.0 (1/2)
Spain (d)	101.99	(c)	110.7 (9/3)	87.38 (17/3)
Sweden (e)	377.64	378.45	387.35 (3/5)	325.74 (3/1)
Switzerl'd (f)	293.0	293.5	323.7 (14/2)	[illegible] (25/4)

Indices and base dates (all base values 100 except NYSE All Common — 50 Standards and Poors — 10 and Toronto 300-1,000, the last named based on 1975). † Excluding bonds. ‡ 400 Industrials. § 400 Inds., 40 Utilities, 40 Finance and 20 Transport. (¶) Sydney All Ord. (‖) Belgian SE 31/12/63. (**) Copenhagen SE 1/1/73. (††) Paris Bourse 1961. (‡‡) Commerzbank Dec. 1953. (§§) Amsterdam Industrial 1970. (¶¶) Hang Seng Bank 31/7/64. (‖‖) Milan 2/1/73. (a) Tokyo New SE 4/1/68. (b) Straits Times 1966. (c) Closed. (d) Madrid SE 30/12/77. (e) Stockholm Industrial 1/1/58. (f) Swiss Bank Corp. (u) Unavailable.

TUESDAY'S ACTIVE STOCKS

	Stocks traded	Closing price	Change on day
Ramada Inns	1,0[illegible]	8	+ ⅛
Penn Central	923,400	2⅜	− 1½
Del E. Webb	654,900	21⅛	− 2¼
Playboy	528,600	23	+ ⅜
Caesars World	485,300	24⅛	− 1¼
Texaco	408,800	23⅞	− ⅛
Gulf Oil	329,800	22	—
Bally Mnfcturng.	322,500	34⅛	− 1½
Allegheny Air	311,900	7⅞	− ⅛
Arlen Realty	[illegible]	4⅛	+ ⅛

Securities Rand $U.S.0.72
(Discount of 37.4%)

FARMING AND RAW MATERIALS

Commodity pact talks frustrated

GENEVA, June 27.

ATTEMPTS TO set up a system for stabilising world commodity prices under the auspices of the United Nations have yielded almost no result and agreement cannot be reached by the end of this year — the original target date. It might have to be moved to the end of next year.

This is the conclusion of a report issued by the secretariat of the UN Conference on Trade and Development (UNCTAD), which in 1976 sponsored the plan for an "integrated programme" of international commodity stabilisation agreements.

The report said the only international agreement which had been concluded since the programme was launched was the one governing sugar. The programme covers 17 other commodities. Some progress had been made with tea and natural rubber.

"Pending the outcome of the negotiations on the common fund, the discussions on individual commodities are taking place in a vacuum as far as the sources of finance for stocks and other measures are concerned."

Negotiations on the fund, attended by 106 countries, broke down last December after four weeks when Asian, African and Latin American nations complained it was "utterly futile" to continue because some industrialised states lacked the political will to agree on the fund's basic features.

Reuter

Silver output rise forecast

WASHINGTON, June 27.

MEXICO, CANADA, the U.S. the Soviet Union and other silver-producing countries are expected to push world production up to about 356.7m troy ounces by 1981, the Silver Institute says, reports AP-Dow Jones.

The production forecast—11 per cent. higher than last year's world silver output of about 320.4m troy ounces—was made by the industry group with the co-operation of mining companies and refiners in 36 countries.

According to the group, Mexico ranks as the world's biggest silver-producer — its mines produced about 47m troy ounces last year. The Soviet Union ranked second, with 45m troy ounces, followed by Canada (43.8m) and the U.S. (38.2m).

Other important silver producing countries include Peru, Australia, Poland and Japan.

The projections, the report said, are that these eight countries will account for 83 per cent of the world's production of newly mined silver in 1981 compared with 81 per cent last year.

Fraud charge halts U.S. stockpile sales

THE U.S. General Services Administration is suspending sales of tin and some other commodities pending review of sales methods, reports Reuter from Washington.

The suspension was said to be connected with allegations of widespread fraud in the GSA, although they noted there had been no specific allegations regarding commodity sales.

Other commodities affected by the suspension are mica, natural battery grade manganese dioxide, metallurgical grade manganese ore, quartz crystals, and rare earth.

GSA sales of other commodities, including gold (for the Treasury), tungsten and mercury, are not affected, the sources said, noting these items were subject to sale by competitive bid methods and left little room for fraud.

Yesterday's scheduled daily GSA tin offering was included in the suspension.

There are only 73 long tons of grade "B" tin in the GSA stockpile, although there is legislation before Congress seeking to authorise the sale of a further 35,000 long tons.

There was no indication how long the suspension would last. Mr. Vince Alto, from the Justice Department, has been appointed inspector-general to probe the alleged fraud.

The main charges involve alleged inflated prices paid to contractors, sometimes for non-existent Jobs, and kickbacks accepted from contractors by GSA employees.

Our Commodities Staff writes: Asarco, the big U.S. metal producer, will not be delivering copper cathodes from its Ilo, Peru, operation to its European customers in July. The company announced yesterday that it had extended the force majeure on Ilo cathodes for another month.

Production problems at the Government-run refinery which converts Asarco copper concentrate into metal are believed to be responsible for the suspension of shipments.

Some analysts have suggested that a three-week strike at the Ilo smelter in April might have contributed to the problems. Others blamed technical difficulties at the refinery which had led to copper coming out at "much lower than the specified grade." Peruvian sources have said vandalism and mismanagement have been responsible for the poor-quality copper.

European and Japanese technicians are believed to be studying the refinery's problems but one analyst has forecast that shipments will not restart before September.

Ten-fold rise in UK grain export income

BY CHRISTOPHER PARKES

BRITAIN'S EARNINGS from exports of farm produce have risen more than 70 per cent in the first five months of the year. A 10-fold rise in income from cereals and a four-fold increase in the value of exports of fruit and vegetables have helped compensate for a less sensational performance by other sectors of the agricultural export trade.

According to the British Agricultural Export Council sales abroad of farm equipment, chemicals and produce in the first five months were worth £859m—27 per cent more than in the same period last year.

But the breakdown of the figure shows a slump in sales of farm chemicals and feedingstuffs. Between January and May last year this trade earned £133m. In the comparable period this year earnings are 9.3 per cent lower at £120.4m.

Exports of farm machinery were worth only 3.8 per cent more at £295.3m—a result which appears to indicate a fall in volume sales.

Only produce exporters had a clearly successful start to the year, earning £859m in foreign exchange, compared with £257m in the first five months of last year.

Exports of cereals were worth £124.5m compared with £12.9m last season. Dairy produce sales were worth £65m compared with £35m last year.

The value of live animal exports rose 52 per cent, meat was up 26 per cent, and exports of eggs increased 50 per cent.

The only black spot was in the wool market. Exports of wool and animal hair earned only £46m—20 per cent less than the £64m earned in the comparable period last year.

U.S. probes 'dumped' sugar claim

By Our Commodities Staff

THE U.S. Treasury is investigating charges that Common Market beet sugar is being dumped in the U.S. with the help of high export subsidies.

The Treasury said the investigation follows a complaint from Michigan beet growers about shipments of EEC beet totalling 50,000 tons being landed in Savannah, Georgia.

If the complaint is found valid the Treasury might impose countervailing duties to cancel out the effects of EEC export subsidies.

In the London market future prices rose later in the day, helped by a steady opening in New York. October sugar closed £1.45 a tonne higher at £101.075.

The London daily price for raws was raised in the morning by 1 to £96 a tonne. Whites were unchanged at £105.

S. Korea bids for bigger NZ fish quota

Dai Hayward

WELLINGTON, June 27.

SOUTH KOREA wants a bigger allocation of New Zealand's fishing resources. It has offered an increased market for New Zealand beef in return.

Only South Korea and Russia are permitted to fish in New Zealand's 200-mile zone. Japan's fishing fleet was banned from April 1 because of restrictions against New Zealand beef and dairy exports.

Korea is allowed to catch 32,000 tonnes. It would like to take 50,000 tonnes.

In an approach to the New Zealand Government Korea has pointed out it imported the first New Zealand beef in 1976.

Beef imports from New Zealand and Australia have grown from 1,000 tonnes to 40,000 tonnes in three years. Korea could take more beef next year if its fish allocation was increased.

The Korean offer comes on the eve of talks in Wellington between Mr. Ichiro Nakagawa, the Japanese Agriculture Minister, and Mr. Robert Muldoon, the New Zealand Prime Minister. Mr. Nakagawa will explain the final Japanese Government position on the trade dispute between the two countries.

Mr. Muldoon hopes the Japanese will offer improved access for New Zealand beef and butter in return for fishing rights.

PARIS COMMODITY MARKETS

Slow road to recovery

BY JOHN EDWARDS, COMMODITIES EDITOR

HOW ARE Paris commodity futures markets recovering after the "disaster" at the end of 1974 during the great sugar boom? Then the Caisse de Liquidation, which provided clearing house facilities for the Paris markets announced that it was unable to meet its commitments and many companies, who suffered severe losses, vowed they would never trade on French markets again.

The impression given at the annual dinner in Paris last Friday of the Compagnie des Commissionaires Agrees—brokers association—was that everything was going well.

The Pavillon d'Armenonville was crowded, including many visitors from London and the New York markets. The dinner a la French fashion started a good 1½ hours late and the entente cordiale was flolwing.

But in reality trading on the Paris futures markets is picking up slowly. As one French sugar trader put it, there is an urgent need for the pump to be primed before the market can really get going again.

A London trader was more unkind in saying the Paris sugar market was absolutely useless for the trade at the moment for undertaking hedging transactions since volume was too small. It was easy to buy on the Paris market but difficult to sell, another London-based trader commented.

M. Albert Ribac, vice-president of the Compagnie des Commissionaires Agrees and president of Jean Lion Cie, one of the leading French sugar traders, which was badly hit by the 1974 disaster, confirmed that recovery of trading activity on the Paris markets was slow.

Some trading houses who suffered severe losses in 1974 had been "grudgeful" he said. Most of them had now returned to trading, although one U.S. company still refused to have anything to do with Paris.

But M. Ribac pointed out that there has been a restructuring of the Paris markets since 1974. The Caisse de Liquidation has been replaced by a new clearing house organisation—Centrale de Compensation. This is a consortium made up of the leading French banks, including many famous names. Significantly from the overseas point of view, a 10 per cent stake is held by the International Commodities Clearing House, which provides the clearing house facilities for the London "soft" (non-metal) commodity futures markets as well as futures trading in Hong Kong and Sydney.

There was, therefore, no question of a repetition of the 1974 situation.

Adding to the Paris recovery problems has been the fact that the sugar market has been extremely depressed with a huge surplus of supplies forcing prices down and bringing trading to a low ebb.

But in the long term, M. Ribac argued, white, as opposed to raw, sugar trading is likely to grow in importance and the Paris market, which provides the only facility to hedge against price fluctuations in white sugar, will come into its own. He said that port refining of cane sugar would become "obsolete" and that the world trend in cane and beet sugar output was towards white sugar production.

Attempting to cover white sugar trades by hedging in the raw sugar futures contracts in London and New York can be a dangerous business, since at times prices in the two markets can move in opposite directions. A white sugar futures market is, therefore, urgently needed.

There are rumours that London is considering a white sugar market, despite its abortive effort with the differential market over the raw sugar contract which failed to attract sufficient interest.

But Paris, with long experience in white sugar trading, should be the prime market if sufficient confidence can be restored.

The Paris futures markets in cocoa and coffee, also hit by the disaster which hit the dominant sugar contract, should be boosted as well by the growing importance of the Ivory Coast and Cameroons, former French colonies.

But the key for the future lies in whether confidence in the trade, and among speculators, has been restored.

Speculative activity, needed to provide liquidity to a successful futures market, has been dampened by doubts about whether the new capital gains tax will apply to commodities as well as shares. A ban on discretionary trading on the Paris markets has not helped either.

There should be no doubt, however, that the Paris market is a different entity to what it was before 1974, even if there are still some familiar faces.

Bid to cut grain crop waste

By Roger Boyes

THE Soviet Communist Party is urging Russian farm workers to speed up preparations for this year's harvest in a bid to reduce substantial crop wastage and compensate for last year's disappointing grain production.

During the past week Soviet newspapers have published articles calling for better use of machinery and fertilisers and both the agricultural daily Selskaya Zhizn and the Communist Party daily Pravda criticised workers for the poor servicing of tractors and combine harvesters.

The articles made frequent reference to a decree issued in Pravda at the beginning of June which set out the necessary preparations for bringing in the harvest and meeting state purchase targets.

Cold weather and persistent rain has hampered the sowing of grain and other spring crips in key areas such as the Ukraine. Weeds, pests and crop diseases have also caused concern to Soviet planners.

Special pleading for British farming

BY JOHN CHERRINGTON, AGRICULTURE CORRESPONDENT

AS PART of a survey of British foreign policy to 1985 the Royal Institute of International Affairs has published a paper on the agricultural options by Asher Winegarten and John Malcolm of the National Farmers Union. The views expressed are to some extent special pleading for the NFU's case of British farming, irrespective of the fact that Britain is now a member of the European Community, and farming policy is the responsibility of the Council of Ministers.

In their assessment the authors point out that although food prices have risen due to Community membership, this has ensured stability of supplies and avoided the sort of shortfalls which happened in grain in 1972-73 and sugar in 1974.

They trot out the old argument of the increasing populations and the need for ample food stocks to feed them, but do not analyse sufficiently the fact that for the last three years grain, milk, sugar and some meat supplies have been a drag on the market, and could have been purchased at about two-thirds of EEC prices. The surpluses are only stopped from getting larger due to restrictive policies in the U.S. and other countries.

The authors say there is no world market for many of these foods. There is an element of truth in this, but the cause is that very few countries will buy, and others led by the EEC dump their surpluses on what is left. Everything can be sold and bought at a price.

But the authors suggest alterations to British farming within the Community which would certainly annoy our partners. The recommendation that milk production should be increased, when the overall output of the Nine is 17 per cent above prospective demand, is justified by the claim that British dairying is more efficient.

There is no evidence of this except in the field of labour use.

They also suggest that sugar output should be significantly increased in spite of the fact that the Community has a sizable surplus, and would have, even if Commonwealth sugar were to be excluded.

What the authors really seem to want is a separate British Policy.

This may be more likely to evolve because of the totally inseparable problems of the currency variations, which look like being perpetuated.

To say nothing of other countries refusing to rationalise their farming systems into a Community mould. Dr. Ertl, the German Minister, made this perfectly clear to me in a few minutes' talk at Geneva Airport the other day.

So if the eventual destruction of the Common Agriculture Policy comes about, this document might be more relevant than it appears at first sight.

COMMODITY MARKET REPORTS AND PRICES

BASE METALS

COPPER—Little changed in quiet trading on the London Metal Exchange. Although Asarco announced an extension of its force majeure on copper cathode deliveries to Europe from Peru, forward metal was disinclined to move far from £720. It started at £722, moved up to £724 and then slipped back to £719. Comex was also little changed and the close on the London Kerb was £721. Turnover 19,325 tonnes.

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £700, three months £722, 21, 20, 20.5, 20, 19.5, 19, 20, 19.5, 19. Cathodes, cash £696, 95.5, three months 715. Kerb: Wirebars: Three months 719, 19.5, 20, 21, 20, 20.5. Afternoon: Wirebars: Three months £719, 20, 19.5, 20. Cathodes: Cash £696, three months £716, 15.5, 16. Kerb: Wirebars: Three months £720, 20.5, 21.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	700-.5	+.5	699.5-700.5	-.25
3 months	719-.5	—1	719.5-20	-.5
Settl'm'nt	700.5	+.5	—	.....
Cathodes				
Cash	695.5-6	.....	695.5-6	-.75
3 months	715-.5	—.5	715-.5	-.25
Settl'm'nt	696	.....	—	.....
U.S. Smt.	—	.....	*66.5-68	.....

TIN—Slightly easier despite a steady start with forward metal at £6,630 after a fall in the East overnight. Commission house buying caused an advance to £6,650 but the price soon came off. When stops were touched in thin trading a low for the day of £6,560 was reached before bear covering led to a close on the Kerb of £6,595. Turnover, 1,295 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6745-50	[illegible]	6700-5	[illegible]
3 months	6640-50	[illegible]	6615-20	[illegible]
Settlem't	6750	[illegible]	—	
Standard				
Cash	6740-5	[illegible]	6700-5	[illegible]
3 months	6620-30	[illegible]	6590-5	[illegible]
Settlem't	6745	[illegible]	—	
Straits E.	[illegible]		—	
New York	—		[illegible]	

[illegible]

LEAD—[illegible]

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	[illegible]		[illegible]	
3 months	[illegible]		[illegible]	
Sett'm'nt	[illegible]			
U.S. Spot			[illegible]	

ZINC—[illegible]

ZINC	a.m. Official	+ or —	p.m. Unofficial	+ or —
Cash	[illegible]		[illegible]	
3 months	[illegible]		[illegible]	
S'ment	[illegible]			
Prm. West			[illegible]	

* Cents per pound. † On previous official close. ‡ SM per picul.

SILVER

Silver was fixed [illegible] an ounce higher for spot delivery in the London bullion market yesterday at 288.9p. [illegible]

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. close	+ or —
Spot	288.9p	[illegible]	289.1p	[illegible]
3 months	296.7p	[illegible]	295.85p	[illegible]
6 months	304.9p	[illegible]	—	
12 months	321.5p	[illegible]	—	

LME—Turnover [illegible]

COCOA

Prices held steadily through the day with modest consumer [illegible], reports Gill and Duffus.

COCOA	Yesterday's Close	+ or —	Business Done
No.3 Cont'r't			
July	[illegible]		[illegible]
Sept	[illegible]		[illegible]
Dec	[illegible]		[illegible]
March	[illegible]		[illegible]
May	[illegible]		[illegible]
July	[illegible]		[illegible]
Sept	[illegible]		[illegible]

Sales: 2,465 [illegible] lots of 10 tonnes. International Cocoa Organisation (U.S. cents per pound): Daily price June 27: 141.82 (140.47). [illegible]

COFFEE

ICO Indicator prices for June 26 (U.S. cents per pound): Colombian Mild Arabicas 187.50 (187.75); unwashed Arabicas 174.00 (same); other mild Arabicas [illegible]; Robustas [illegible]. 15-day average 134.70 (134.00); 22-day average 134.44 (134.21).

[illegible]

COFFEE	Yesterday's Close	+ or —	Business Done
£ per tonne			
July	1605-06	[illegible]	[illegible]
September	1487-91	[illegible]	[illegible]
November	1378-80	[illegible]	[illegible]
January	1316-20	[illegible]	[illegible]
March	1265-80	[illegible]	[illegible]
May	1210-30	[illegible]	[illegible]
July	1160-90	[illegible]	[illegible]

Sales: [illegible]

ARABICAS—[illegible]

GRAINS

[illegible]

	WHEAT		BARLEY	
M'nth	Yesterday's close	+ or —	Yesterday's close	+ or —
Sept.	84.40	[illegible]	79.10	[illegible]
Nov.	87.25	[illegible]	81.90	[illegible]
Jan.	89.85	[illegible]	84.55	[illegible]
Mar.	92.50	[illegible]	87.20	[illegible]
May	95.15	[illegible]	89.80	[illegible]

[illegible]

HGCA—[illegible]

EEC IMPORT LEVIES—[illegible]

RUBBER

EASIER opening on the London physical market. Little interest throughout the day, closing dull. Lewis and Peat reported a Malaysian godown price of 240 (242) cents a kilo (buyer, July).

No.1 R.S.S.	Yest'rday's Close	Previous Close	Business Done
July	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
Jan-Mar	[illegible]	[illegible]	[illegible]
Apr-Jne	[illegible]	[illegible]	[illegible]
Jly-Sept	[illegible]	[illegible]	[illegible]
Oct-Dec	[illegible]	[illegible]	[illegible]
Jan-Mar	[illegible]	[illegible]	[illegible]

Sales: [illegible] lots of 15 tonnes and 9 (11) lots of 5 tonnes.

Physical closing prices (buyers) were: Spot 55.25p (55.5); August 56.75p (56.5); Sept. 56.75p (56.5).

SOYABEAN MEAL

	Yesterday's Close	+ or —	Business Done
	£ per tonne		
August	120.50-21.0	—0.50	121.30-21.00
October	123.90-23.2	—0.10	123.90-23.50
December	123.00-25.2	—0.30	125.50-25.30
February	[illegible]	[illegible]	[illegible]
April	[illegible]	[illegible]	[illegible]
June	[illegible]	[illegible]	[illegible]
August	[illegible]	[illegible]	[illegible]

Sales: 30 (51) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) £96.00 (£95.00) a tonne cif for June-July shipment. White sugar daily price was fixed at £105.00 (same).

[illegible]

Pref. Comm. Con.	Yesterday's Close	Previous Close	Business Done
	£ per tonne		
Aug.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]
Dec.	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
Aug.	[illegible]	[illegible]	[illegible]
Oct.	[illegible]	[illegible]	[illegible]

Sales: 1,223 (1,361) lots of 50 tonnes.

International Sugar Agreement: [illegible]

Tate and Lyle ex-refinery price for granulated basis white sugar was [illegible] a tonne for home trade and [illegible] for export.

EEC IMPORT LEVIES—[illegible]

WOOL FUTURES

LONDON—The market was dull and featureless, Bache reports. (Pence per kilo)

Australian Greasy Wool	Yesterd'y's Close	+ or —	Business Done
July	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]
March	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]
July	[illegible]	[illegible]	[illegible]
October	[illegible]	[illegible]	[illegible]
December	[illegible]	[illegible]	[illegible]

Sales: 1 (8) lots of 15,000 kilos.

SYDNEY GREASY—[illegible]

MEAT/VEGETABLES

SMITHFIELD (pence a pound)—Beef: Scotch killed sides [illegible]; Ulster hindquarters [illegible], forequarters [illegible]. [illegible]

MEAT COMMISSION—Average fatstock prices at representative markets yesterday: [illegible]

COVENT GARDEN (prices in sterling a package except where otherwise stated)—Imported produce: Oranges—Cyprus: Valencia Lates [illegible] [illegible] 4.00-5.20; S. African: Navels 4.00-4.90. Lemons—Italian: 100/120's new crop 4.00-4.60. Spania: Trays 1.20-1.50, large boxes 2.60-4.40; S. African: 4.50-5.60. Grapefruit—S. African 27/72 3.40-4.50; Jaffa: 20 kilos 4.10-4.60. Apples—French: Golden Delicious 20-lb 64's 3.00-3.70, 72's 3.20-3.60, jumble boxes, per lb 0.16-0.17; W. Australian: Granny Smith 8.90; Tasmanian: [illegible]

[illegible]

English produce: [illegible] bers — Per tray 12/24's 0.80-1.20. Mushrooms—Per lb 0.40-0.50. Apples—Per lb Bramley's 0.10-0.20. Tomatoes—Per 12lb English 2.50-2.60. Greens—Per crate, Kent 1.50. Cabbage 1.50. Celery—Per 12/18's 2.50-3.00. Strawberries—Per ½lb 0.10-0.20. Cauliflowers—Per 12 Lincoln 1.50. Broad Beans—Per lb 0.06. Peas—Per lb 0.12-0.14. Cherries—Per lb 0.35-0.45.

COTTON

COTTON, Liverpool—Spot and shipment sales amounted to 153 tonnes, bringing the total for the week so far to 276 tonnes. A fair offtake brought miscellaneous transactions in Turkish and other Middle Eastern qualities, reports F. W. Tattersall. North and South American staple attracted more attention.

PRICE CHANGES

Prices per tonne unless otherwise stated.

	June 27 1978	+ or —	Month ago
Metals			
Aluminium	[illegible]	[illegible]	[illegible]
Free market (cif)	[illegible]	[illegible]	[illegible]
Copper cash W. Bars	[illegible]	[illegible]	[illegible]
3 months do. do.	[illegible]	[illegible]	[illegible]
Cash Cathode	[illegible]	[illegible]	[illegible]
3 months do.	[illegible]	[illegible]	[illegible]
Gold Troy oz.	[illegible]	[illegible]	[illegible]
Lead Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]
Nickel	[illegible]	[illegible]	[illegible]
Free Market (cif) (lb)	[illegible]	[illegible]	[illegible]
Platinum troy oz.	[illegible]	[illegible]	[illegible]
Free Market	[illegible]	[illegible]	[illegible]
Quicksilver	[illegible]	[illegible]	[illegible]
Silver troy oz.	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]
Tin Cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]
Wolfram 22.04lb	[illegible]	[illegible]	[illegible]
Zinc cash	[illegible]	[illegible]	[illegible]
3 months	[illegible]	[illegible]	[illegible]
Producers	[illegible]	[illegible]	[illegible]
Oils			
Coconut (Phil)	[illegible]	[illegible]	[illegible]
Groundnut	[illegible]	[illegible]	[illegible]
Linseed Crude (v)	[illegible]	[illegible]	[illegible]
Palm Malayan	[illegible]	[illegible]	[illegible]
Seeds			
Copra Philip	[illegible]	[illegible]	[illegible]
Soyabean (U.S.)	[illegible]	[illegible]	[illegible]
Grains			
Barley EEC			
Home Futures	£81.9	—0.35	£83.4
Maize			
French No. 3 Am	£103.52	....	£105.25
Wheat			
No. 1 Red Spring	£96.25	+0.25	£97.5
No. 2 Hard Winter	‡	....	‡
English Milling	£105	....	£102
Cocoa Shipment	£1,885	—18.0	£1,798
Future Sept.	£1,781.5	—18.0	£1,737
Coffee Future			
Sept.	£1,489	+27.5	£1,709
Cotton 'A' Index	72.15c	....	70.95c
Rubber kilo	57.5p	—0.75	57.5p
Sugar (Raw)	£96	+1.0	£105
Wooltops 64s kilo	283p	....	280p

* Nominal. ‡ Unquoted. k August. m June-August. n July-Sept. p July-Aug. w July. s June-July. z Per ton.

INDICES

FINANCIAL TIMES

June 27	June 26	Month ago	Year ago
244.97	246.44	254.57	250.09

(Base: July 1, 1952=100)

REUTER'S

June 27	June 26	Month ago	Year ago
1496.2	1492.3	1508.5	1571.1

(Base: September 18, 1931=100)

DOW JONES

Dow Jones	June 27	June 26	Month ago	Year ago
Spot	361.21	365.65	359.48	393.52
Futures	348.24	350.38	358.72	360.39

(Average 1924-25-26=100)

MOODY'S

Moody's	June 27	June 26	Month ago	Year ago
Sple Commdty	925.5	923.4	935.0	79.8

(December 31, 1931=100)

GRIMSBY FISH — Supply good and demand good. Prices, a stone, at ship's side unprocessed: Shelf cod £3.50-£4.00, codlings £2.60-£3.20; large haddock £4.60, medium £3.70-£4.50, small £2.50-£3.00; large plaice £4.50-£4.70, medium £4.00-£4.60, best small £3.60-£4.00; skinned dogfish, large £8.50, medium £6.00; lemon soles, large £6.00, medium £5.00; rockfish £2.20-£2.50; saithe £2.00-£2.60.

U.S. Markets

NEW YORK, June 27.

Cocoa—July 146.60 (146.90), Sept. 141.80 (141.90), Dec. 137.00, March 135.50, May 131.20, July 129.05, Sept. 127.05. Sales: 440 lots.

Coffee—"C" Contract: July [illegible]

[illegible]

Soyabean Meal—July 171.70-172.00 (174.60), Aug. 174.00-174.60 (175.10), Sept. 174.10, Oct. 173.20, Dec. 171.00-171.20, Jan. 170.60, March 172.90, May 172.00-172.80, July 174.10-174.50.

Soyabean Oil—July 25.55-25.60 (26.00), Aug. 25.00-25.05 (25.75), Sept. 24.50, Oct. 23.95, Dec. 23.25-23.40, Jan. 23.15, March 23.00, May 22.90, July 22.75.

Sugar—No. 11: July 7.09-7.10 (7.09), Sept. 7.20-7.21 (7.21), Oct. 7.32-7.33, Jan. 7.69-7.70, March 8.04-8.05, May 8.22, July 8.40-8.42, Sept. 8.57, Oct. 8.77. Sales: 3,150 lots.

Tin—557.00-565.00 nominal (550.00-569.00 nominal).

**Wheat—July 315-316 (321), Sept. 315-317½ (321), Dec. 322-323, March 324, May 322-323, July 316.

WINNIPEG, June 27. ††Rye—July 104.00 (106.20 bid), Oct. 104.50 (105.50 asked), Nov. 103.90 nominal, Dec. 105.30 asked, May unquoted.

††Oats—July 72.30 (74.70 bid), Oct. 72.10 bid (74.10 bid), Dec. 72.00 bid, March 71.60, May 74.70.

‡‡Barley—July 73.50 bid (74.40 bid), Oct. 73.70 bid (74.50 bid), Dec. 73.70 bid, March 74.30 bid, May 75.50.

§§Flaxseed—July 239.00 bid (237.00 bid), Oct. 244.00 (240.00 asked), Nov. 247.50 asked, Dec. 235.50 bid, May 244.50 bid.

**Wheat—SCWRS 13.5 per cent protein content cif St. Lawrence 162.65 (163.22).

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce—100 ounce lots. † Chicago loose $s per 100 lbs—Dept. of Ag. prices previous day. Prime steam fob. NY bulk tank cars. ‡ Cents per 56 lb bushel ex-warehouse, 5,000 bushel lots. § $s per troy ounce for 50 oz units of 99.9 per cent purity delivered NY. ¶ Cents per troy ounce ex-warehouse. ‖ New "B" contract in $s a short ton for bulk lots of 100 short tons delivered f.o.b. cars Chicago, Toledo, St. Louis and Alton. ** Cents per 60 lb bushel in store. †† Cents per 24 lb bushel. ‡‡ Cents per 48 lb bushel ex-warehouse. §§ Cents per 56 lb bushel ex-warehouse, 1,000 bushel lots. ¶¶ SC per tonne.

U.S. wheat loan rate increased

KANSAS CITY, June 27.

Mr. Bob Bergland, the U.S. Secretary of Agriculture, announced that the 1978 loan rate for wheat was being increased to $2.35 a bushel from $2.25.

He told the American Seed Trade Association this increase would offer farmers more cash-flow assistance and increase the farmer-owned reserve release level to $3.29 from $3.15, so assuring producers a higher price for their reserve wheat.

It would tend to stabilise seasonal market movements with little impact on the seasonal average price.

Producers had placed more than 349m bushels of wheat in grain reserve. The higher loan rate should be an added inducement to continue to remove excess wheat from the market and further strengthen prices.

Reuter

Port clearance work delayed

BUENOS AIRES, June 27.

Progress in clearing the backlog of grain freighters waiting at Argentian ports has slowed down lately.

Rain and fog disrupted loadings and shipping movements while cuts in work timetables during matches for the world soccer championship also had a disruptive effect.

Reuter

ART GALLERIES

STOCK EXCHANGE REPORT

Small technical rally develops in oversold markets

Long tap call passes without hitch and Gilts regain $\frac{3}{4}$

ACCOUNT DEALING DATES

*First Dealings	Option Declarations	Last Dealings	Account Day
Jun. 12	Jun. 22	Jun. 23	July 4
Jun. 26	July 6	July 7	July 18
July 10	July 20	July 21	Aug. 1

* "New time" dealings may take place from 9.30 am two business days earlier.

Suggestions that the current upward pressures on short-term interest rates in the U.S. would not necessarily affect levels at home helped to soothe just one of the several worries facing stock markets. Relief was also shown that the £30 call on the long tap, the financing of which has had repercussions in both Gilt-edged *and equity markets recently, had* passed without incident.

A small demand for leading Industrials at the outset made little early impression, but the opening atmosphere in the funds' market aided sentiment. In oversold conditions, the rally in equities was furthered and prices *generally closed at the best of* the day. Trade remained light with little significant improvement in the number of bargains marked at 4,470 as against the previous day's 4,394.

Individual features were rare but among constituents of the FT 30-share index, finally a net *3.3 higher at 456.3*. **Bowater** slipped 4 to 87p, after 83p, following talk of a downgrading in a broker's previously optimistic forecast of current year profits. **John Brown**, *in contrast*, continued to celebrate last week's excellent figures and gained 6 more to 382p.

Enthusiasm for Gilt-edged securities was not immediately evident although quotations began *a shade higher on overnight list* levels. Gradually, a technical recovery *ensued, albeit in light* trading, and the long tap **Exchequer 12 per cent, 2013-17**, regained ¾ to 43¾, a discount still of 1¾ since the stock is now dealt in £45-paid form. The shorter maturities attracted slightly busier conditions and closed with recoveries extending to ⅞.

Encouraged by the performance of the main funds, Corporations retrieved in some cases the previous day's losses which *extended to a full point*. Recently-issued scrips, however, were less convincing and **Southend-on-Sea** 12 per cent 1987 picked up only ⅛ at 8½ in £10-paid form. Reflecting worries over *the latest events in* Rhodesia, **Southern Rhodesian** bonds were lowered a couple of points and the 2½ per cent 1965/70 closed that much down at £50.

Another basically idle day in the investment currency market ended with the premium a point easier at 100 per cent: arbitrage *offerings released by operations* in overseas securities tended to aggravate the dull trend. Yesterday's SE conversion factor was 0.0744 (0.6888).

Over 50 per cent of the business transacted in Traded Options yesterday was done in two stocks. *Cons Gold* recorded an unusually high total of 184 contracts, while *Grant Met* followed with 143. The overall total was 580 compared *with* the previous day's modest 356.

Leslie and Godwin good

Insurance brokers staged a useful technical rally, retrieving all and more of the previous day's falls which stemmed from concern about American plans to open in New York an insurance exchange similar to Lloyd's of London. **C. E. Heath**, 252p, and **Willis Faber**, 257p, rose 12 and 10 respectively, while **Sedgwick Forbes** gained 7 to 407p and **Minet** picked up 3 to 188p. **Leslie and Godwin** encountered fresh speculative support on bid hopes and moved forward 5 more to a 1978 peak of 112p. A dull market of late after adverse Press mention; **Brentnall Beard** recovered 2 to 32p.

Features were few and far between in the Banking sector. **Leopold Joseph** hardened 7 to 197p in the late response to the annual results, while **FNFC** hardened a fraction to 2¾p following interim figures which showed a strong return to profitability in the first-half. **Cattles Holdings** *hardened a penny more to 36½p* on further consideration of the results and proposed 20 per cent scrip issue.

Breweries spent another quiet session, but prices tended to harden. Elsewhere, revived speculative interest left **Amalgamated Distilled Products** 2 better at 25p and **Matthew Clark** 6 to the good at 138p.

A *marked* improvement in trade developed in Buildings and selected issues made moderate headway. *Richard Costain* firmed 8 to 186p and **SGB** added a couple of pence to 136p, the latter in response to the increased profits and confident statement. Country demand lifted **Econa** 5 to 70p. The proposed acquisition of Diversified Earth Sciences for $12.2m left **Cement-Roadstone** un*moved at 80p*.

Growing optimism that Tenneco's 105p offer for **Albright and Wilson** will not be referred to the Monopolies Commission left Albright up 4 at 180p, after 183p. Scattered buying lifted **ICI** 5 to 371p, but a withdrawal of speculative support left **Stewart Plastics** *4 lower at 136p*.

Trident Television improved 1½ more to 47½p in continued response to the interim profits.

MFI better

A slightly firmer trend was evident in leading Stores after a small trade. **Gussies A** hardened 4 to 288p and **Mothercare** edged forward 2 to 134p as did **House of Fraser**, to 132p. Elsewhere, Press comment highlighting bid possibilities attracted renewed buying interest in **MFI Furniture** *which advanced 4 to 98p*. **Amber Day** improved 2 to 40p and **Bernard Paradise** gained a similar amount to 25p. **Church**, on the other hand, relinquished 4 to 150p and **Currys** receded 3 to 192p.

Electricals had the occasional firm spot. **Brocks** rose 5 to a 1978 *peak of 76p on vague talk of a* bid from Racal Electronics, while **Dale Electric** improved 4 to 150p on buying in anticipation of next Tuesday's preliminary results. **Comet** *Radiovision, a dull market* of late in sympathy with the current trading problems being experienced by its rival Audiotronic, rallied 5 to 123p. The leaders fluctuated narrowly and closed little changed.

Still drawing strength from the excellent annual results announced last Friday, **John Brown** advanced 6 more to a peak of 382p. Elsewhere in Engineerings, **Warwick** were marked up 4 *to 31½p on the late disclosure that* bid discussions are currently taking place with Gidney Securities. **Tecalemit** put on 2 to 137p following the results and small buying in front of today's figures prompted a similar improvement in **Edgar Allen Balfour** at 60p. **B. Elliott** rose 6½ to 122p on speculative support.

Cullen's Stores figured prominently in Foods, the ordinary rising 13 to 125p and the A 14 to 122p as bid speculation revived. **Tesco**, *where former chairman Mr.* Hyman Kreitman has recently substantially reduced his shareholding, finished a shade harder at 42½p. **Trust Houses Forte** edged forward 2 to 210p *in front of* today's interim statement.

IC Gas please

Miscellaneous Industrial leaders staged a useful technical rally with closing *gains ranging to 8*. **Beecham**, *638p, and* **Glaxo**, *548p*, were both that much better, while **Unilever** put on 6 to 518p and **Turner and Newall** added 5 to 175p. **Bowater**, however, continued *lower, falling 4 to 187p, after* 185p, on reports that a leading broker has downgraded an earlier optimistic profits forecast; the company announced yesterday that it intends to discontinue quotations of its ordinary shares on the Canadian and Hong Kong bourses from August. Elsewhere, **I.C. Gas**, a dull market recently in front of the results, rebounded smartly on the better-than-expected outcome to close 17 up at 355p. The chairman's *optimistic* remarks at the AGM helped **Silentnight** advance 7 to 95p, while **National Carbonising** put on 3½ to 42½p following buying ahead of Friday's preliminary results. **Sotheby Parke Bernet** improved 3 to 281p with sentiment buoyed by the disclosure that the sum realised at the Robert Van Hirsch art auction had surpassed £16m. Demand in a thin market lifted **London Pavilion** 20 to 630p but *small offerings in front* of today's results left **Chubb** 4 off at 137p. A reported bid denial from the chairman dampened recent enthusiasm in **Toye** which eased a couple of pence to 67p, after 66p. **Leigh Interests** dipped 8 to 142p and **Ferguson Industrial** gave up 4 to 100p.

Motors and Distributors closed firmly following an evenly matched trade. **Dowty**, results due shortly, moved up 3 to 197p. **CGSB** *closed a shade firmer* at 20p awaiting today's interim report, while **Godfrey Davis** finished only a penny better at 87½p despite the announcement of substantially increased earnings. **Oliver Rix**, at 7p, made no apparent response to news of the deal with Geo. Whitehouse whereby the latter is *buying four* leasehold properties for a total consideration of £535,000.

Oils subdued

In Newspapers, **Thomson** provided the only notable movement with a gain of 5 to 235p. Paper/Printings featured **David S. Smith**, which rose 11 to 97p on the reconstruction scheme. In contrast, **London and Provincial Poster** shed 11 to 177p on lack of buyers *and* **J. Waddington** eased 6 to 200p ahead of the annual results expected in early July.

Properties traded quietly around overnight levels and selected quality issues such as **Stock Conversion**, 230p, and **United Real**, 247p, both firmed a couple of pence. Awaiting the outcome of bid talks, **English Property** shed a penny to 43p in late dealings. Small selling clipped 5 from **Imry** at 305p. Further speculative demand left **Bellway Holdings** 5 to the good at 68p and the capital shares a similar amount dearer at 64p. **McInerney** attracted fresh buying interest and firmed 2 to 44p, but **Property Holding and Investment** *were unmoved at 302p* despite the improved annual results.

Initial small falls in Oils were *soon erased, but leading issues* saw little follow-through as trade petered out. **British Petroleum** closed at the overnight level of 844p, while **Shell** improved 3 to 545p. Further appraisals of estimates in the Brae Field stimulated interest in **Siebens (UK)**, 26 higher at 344p, after 346p, and **Endeavour's** *exploration* deal with Ultramar regarding the latter's participation in the Egyptian Mariut concession put Endeavour up 2 to 22p.

Investment Trusts adopted no set pattern. **Jardine Securities** mirrored overseas advices with a rise of 3½ to 135p, while **Bryecourt**, 72p, and **London and Lennox**, 81p, put on 2 apiece. Isolated dull spots, however, included **City and Foreign Investment**, 3 off at 70p, and **City and Commercial Capital**, 4 cheaper at 98p. In Financials, **Haw Par** edged forward 2 to 45p on news that the Singapore United *Overseas Bank* had increased its shareholding. Speculative interest lifted **Fitzroy Investment** a penny to 14½p, but small selling left modest losses in both **Exploration**, 25p, and **Kwahu**, 21p.

In quiet Shippings, **Hunting Gibson** were exceptionally dull at 133p, down 12, in a restricted *market on nervousness* ahead of Friday's annual meeting.

Quiet Mines

In Textiles, **Caird (Dundee)** became a late dull spot at 13½, down 1½, on the increased loss. Other dull counters included **Levex**, 1½ off at 10p, and **H. Ingram**, 3 cheaper at 34p. In Tobaccos, **BAT Industries** deferred closed 4 cheaper at 270p on the interim statement warning that *current-year* profits will fall slightly short of the previous year.

Guthrie became an erratic market, easing to 282p initially before closing 3 better on balance at 290p for a two-day gain of 18. Other noteworthy movements in Plantations were confined to a *rise of 2 to 73p* in **Kuala Lumpur Kepong** and an improvement of 3 to 242p in **Warren**.

Mining markets were quietly dull with most sections either losing ground or *marking time* in subdued trading.

In Australians, **Northern Mining** were notably weak and finally 11 lower at *96p following* a withdrawal of the recent speculative support.

Otherwise, most of the base-metal miners tended *to give up a* penny or so but **Metals Exploration** hardened 1½ more to 31p, again reflected favourable week-*end Press mention*, and **Pacific Copper** improved 4 more to 46p following a strong demand in overnight Sydney and Melbourne markets.

The partners in the Rundle oil shale project moved in opposite directions with **Central Pacific** 25 cheaper at 500p and **Southern Pacific** 10 firmer at 195p.

Among Irish/Canadians, the recent spate of speculative activity in **Anglo United Development** continued unabated; after opening a fraction easier around 230p a welter of profit-taking developed and the price dropped *to 208p for a net loss of 33p*.

A further weakening in the bullion price, which closed 25 cents down at $184.875 per ounce reflecting the narrowing in the U.S. trade deficit for May, prompted minor scattered selling of South African Golds.

The Gold Mines index eased 0.5 *more to 157.6. Among* heavyweights, losses of ¼ were common to **Hartebeest**, £12¾, **Vaal Reefs**, £14, and **Western Holdings**, £18¼.

South African Financials were featured by **De Beers** which fell 12 to 395p on London and Cape *selling* and the absence of any further U.S. buying.

Other South Africans generally declined. London-registered Financials drifted in quiet trading following the disappointing performance of base-metal prices. **Rio Tinto-Zinc** gave up a further 2 to 214p and **Charter** a penny to 137p.

The lower bullion price caused a fall of 4 to 167p in **Gold Fields**.

Elsewhere, **Consolidated Murchison** gave up 10 to 235p *following* news that ASA had *reduced its holding in Murchison* by almost half in the six months to May 31.

OPTIONS

DEALING DATES

First Dealings	Last Dealings	Last Declaration	For Settlement
Jun. 20	July 3	Sep. 14	Sep. 26
July 4	July 17	Sep. 28	Oct. 10
July 18	July 31	Oct. 12	Oct. 24

For rate indications see end of Share Information Service

Stocks favoured for the call were Fitch Lovell, Britannia Arrow, London and Northern, Wilson Walton, Serck, Brocks, GRA Property Trust, Charterhall, KCA International, Ladbroke Warrants, House of Fraser, F. W. Woolworth, Spillers, Pacific Copper and Westland. A put was done in EMI, while doubles were arranged in Lonrho, Serck, Brocks, Trafalgar House, British Home Stores, Gussies A, Ladbroke and Warrants, Charterhall, EMI and UDT.

LONDON TRADED OPTIONS

		July		October		January		
Option	Exercise price	Closing offer	Vol.	Closing offer	Vol.	Closing offer	Vol.	Equity close
BP	750	98	—	115	—	132	5	845p
BP	800	48	—	72	—	94	—	"
BP	850	12	—	44	2	68	5	"
BP	900	2	—	22	—	50	10	"
Com. Union	140	6	10	14	—	18½	—	144p
Com. Union	160	¾	—	6	—	10	5	"
Cons. Gold	160	9	16	17	14	20	5	168p
Cons. Gold	180	1¼	52	7½	39	15	38	"
Courtaulds	100	16½	4	20	—	21½	—	114p
Courtaulds	110	7	—	12½	—	15	—	"
Courtaulds	120	2	—	7	—	10	—	"
Courtaulds	130	⅝	40	4½	6	6½	—	"
GEC	220	34	—	40	—	47	—	252p
GEC	240	14½	—	26	—	34	—	"
GEC	260	4½	—	14½	—	23	—	"
GEC	280	1½	—	7	—	14	—	"
Grand Met.	100	5¼	65	10½	—	15	19	103p
Grand Met.	110	1½	5	6	[illegible]	9½	5	"
Grand Met.	120	½	—	2½	—	5	—	"
ICI	330	44	25	50	—	55	—	371p
ICI	360	15	7	25½	15	34	5	"
ICI	390	3	15	12½	—	19½	—	"
ICI	420	½	—	4½	—	12	4	"
Land Secs.	180	24	—	28	—	31	2	202p
Land Secs.	200	5½	—	15	4	17	—	"
Land Secs.	220	¾	10	4½	—	8	—	"
Marks & Sp.	120	21½	—	25½	—	29	2	141p
Marks & Sp.	140	5	1	10½	1	15½	—	"
Marks & Sp.	160	¾	—	4	4	8½	—	"
Shell	500	46	5	64	—	75	—	545p
Shell	550	11	10	27	35	43	—	"
Shell	600	1	—	12	21	22	—	"
Totals			265		190		125	

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −	Div. Amount	Times Covered	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price £	+ or −
[illegible]							

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1978 High	1978 Low	Stock	Closing Price p	+ or −
[illegible]							

[illegible]

FINANCIAL TIMES STOCK INDICES

	June 27	June 26	June 23	June 22	June 21	June 20	A year ago
Government Secs.	69.25	68.88	69.21	69.69	69.76	69.74	68.31
Fixed Interest	71.23	71.07	71.52	71.93	72.00	72.00	68.32
Industrial Ordinary	456.3	453.0	456.3	452.7	455.6	463.4	456.5
Gold Mines	157.6	158.1	161.5	161.0	164.5	164.2	111.4
Ord. Div. Yield	5.81	5.84	5.79	5.84	5.80	5.76	5.15
Earnings Y'ld% (full)(*)	17.65	16.88	16.74	16.86	16.76	16.46	15.50
P/E Ratio (net)(*)(†)	7.54	7.94	8.01	7.94	7.99	8.13	9.46
Dealings marked	4,470	4,394	4,436	4,896	5,057	4,271	6,067
Equity turnover £m	—	61.07	91.94	85.39	67.88	66.94	128.90
Equity bargains total	—	13,708	15,699	14,613	13,256	14,585	22,112

10 am 454.4. 11 am 454.6. Noon 455.8. 1 pm 455.4. 2 pm 455.5. 3 pm 455.4.

Latest Index 01-246 8026.

*Based on 52 per cent corporation tax. † Nil=7.38.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ind. Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1978 High	1978 Low	Since Compilation High	Since Compilation Low
Govt. Secs.	78.58 (5/1)	68.79 (6/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	81.27 (9/1)	70.73 (6/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	[illegible] (5/1)	433.4 (2/3)	549.2 (14/9/77)	49.4 (26/6/40)
Gold Mines	168.6 (6/3)	130.3 (6/1)	442.3 (22/6/75)	43.5 (26/10/71)

S.E. ACTIVITY

	June 27	June 26
—Daily		
Gilt-Edged	168.8	151.2
Industries	143.4	151.5
Speculative	50.0	48.8
Totals	101.7	100.5
5-day Av'rage		
Gilt-Edged	151.1	151.8
Industrials	160.9	164.7
Speculative	44.1	48.9
Totals	105.9	107.2

NEW HIGHS AND LOWS FOR 1978

The following securities quoted in the Share Information Service yesterday attained new Highs and Lows for 1978.

NEW HIGHS (30)

BANKS (1)
Joseph (Leo.)

BUILDINGS (2)
Norwest Holst — Westbrick Prods.

CHEMICALS (1)
Albright and Wilson

DRAPERY AND STORES (3)
MFI Furniture — Wades A
Waring and Gillow

ELECTRICALS (3)
Brocks — Dowding and Mills
Highland Elect.

ENGINEERING (6)
Anderson Strathclyde — Elliott (B.)
Boulton (Wm.) — Greenbank
Brown (J.) — Weston-Evans

FOODS (3)
Cullen's — Somportex
Do. A

HOTELS (1)
Prince of Wales

INDUSTRIALS (2)
Silentnight — Watson (R. K.)

INSURANCE (1)
Leslie and Godwin

PAPER (1)
Smith (D.)

PROPERTY (1)
Lndn. and Prov. Shop

TEXTILES (2)
Leeds Dyers — Toray

TRUSTS (1)
Haw Par

OVERSEAS TRADERS (2)
Aust. Agric. — Sime Darby

NEW LOWS (28)

CORPORATION LOANS (1)
Warwick 12½pc 1980

COMMONWEALTH AND AFRICAN LOANS (2)
S.Rhod. 2½pc '65-70 — Do. 6pc 78-81

LOANS (1)
FFI 13pc 1981

FOREIGN BONDS (1)
Ireland 7½pc '81-83

CANADIANS (1)
Can. Pacific 4pc Deb.

BUILDINGS (2)
Barratt Dev. — Comben

DRAPERY AND STORES (1)
Casket (S.)

ELECTRICALS (4)
Bowthorpe — Pifco A
Laurence Scott — Thorn Elect.

ENGINEERING (3)
Alcan Aluminium — Bamfords
Westland

FOODS (2)
England (J. E.) — Nurdin and Peacock

INDUSTRIALS (4)
Boosey and Hawkes — Wilkins and Mitchell
British Syphon — Hoover A

INSURANCE (1)
Pearl

PAPER (1)
Waddington (J.)

SOUTH AFRICANS (1)
Hulett's Corp.

TEXTILES (2)
Bond St. Fabrics — Levex

OILS (1)
Clyde Petroleum

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	71	2	4
Corpns. Dom. and Foreign Bonds	11	13	41
Industrials	285	357	909
Financial and Prop.	110	87	322
Oils	10	6	18
Plantation	6	5	25
Mines	17	42	48
Recent Issues	11	3	28
Totals	531	512	1,395

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1978 high	1978 low
De Beers Defd.	R0.05	13	395	−12	412	285
ICI	£1	12	371	+5	398	328
BAT Inds.	25p	9	310	−7	348	287
BP	£1	9	844	—	892	720
Brown (J.)	£1	8	382	+6	382	231
Shell Transport	25p	8	545	+3	586	484
Barclays Bank	£1	7	312	—	358	296
GEC	25p	7	252	+1	278	233
GKN	£1	7	248	−2	286	248
NatWest	£1	7	232	—	298	250
Rank Org.	25p	7	287	—	268	226
RTZ	25p	7	214	−2	234	162
Unilever	25p	7	518	+6	548	476
Imperial Group	25p	6	76	—	81	71½
Turner & Newall	£1	6	175	+5	209	166

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS — GROUPS & SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Equity groups	Tues., June 27, 1978: Index No.	Day's Change %	Est. Earnings Yield% (Max.) (Corp. Tax 52%)	Gross Div. Yield% (ACT at 34%)	Est. P/E Ratio (Net) (Corp. Tax 52%)	Mon. June 26 Index No.	Fri. June 23 Index No.	Thurs. June 22 Index No.	Wed. June 21 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (172)	[illegible]									
2	Building Materials (28)	[illegible]									
3	Contracting, Construction (27)	[illegible]									
4	Electricals (15)	[illegible]									
5	Engineering Contractors (14)	[illegible]									
6	Mechanical Engineering (72)	[illegible]									
8	Metals and Metal Forming (16)	[illegible]									
11	CONSUMER GOODS (DURABLE) (52)	[illegible]									
12	Lt. Electronics, Radio TV (15)	[illegible]									
13	Household Goods (12)	[illegible]									
14	Motors and Distributors (25)	[illegible]									
21	CONSUMER GOODS (NON-DURABLE) (174)	[illegible]									
22	Breweries (14)	[illegible]									
23	Wines and Spirits (6)	[illegible]									
24	Entertainment, Catering (17)	[illegible]									
25	Food Manufacturing (21)	[illegible]									
26	Food Retailing (15)	[illegible]									
32	Newspapers, Publishing (13)	[illegible]									
33	Packaging and Paper (15)	[illegible]									
34	Stores (39)	[illegible]									
35	Textiles (25)	[illegible]									
36	Tobaccos (3)	[illegible]									
37	Toys and Games (6)	[illegible]									
41	OTHER GROUPS (97)	[illegible]									
42	Chemicals (19)	[illegible]									
43	Pharmaceutical Products (7)	[illegible]									
44	Office Equipment (6)	[illegible]									
45	Shipping (10)	[illegible]									
46	Miscellaneous (55)	[illegible]									
49	INDUSTRIAL GROUP (495)	[illegible]									
51	Oils (5)	[illegible]									
59	500 SHARE INDEX	[illegible]									
61	FINANCIAL GROUP (100)	[illegible]									
62	Banks (6)	[illegible]									
63	Discount Houses (10)	[illegible]									
64	Hire Purchase (5)	[illegible]									
65	Insurance (Life) (10)	[illegible]									
66	Insurance (Composite) (7)	[illegible]									
67	Insurance Brokers (10)	[illegible]									
68	Merchant Banks (14)	[illegible]									
69	Property (31)	[illegible]									
70	Miscellaneous (7)	[illegible]									
71	Investment Trusts (50)	[illegible]									
81	Mining Finance (4)	[illegible]									
91	Overseas Traders (20)	[illegible]									
99	ALL-SHARE INDEX (673)	[illegible]									

FIXED INTEREST PRICE INDICES

	British Government	Tues. June 27	Day's change %	xd adj. To-day	xd adj. 1978 to date
1	Under 5 years	104.30	+0.33	—	4.51
2	5-15 years	112.64	+0.59	—	5.95
3	Over 15 years	118.64	+0.63	—	7.22
4	Irredeemables	127.30	+0.45	—	7.24
5	All stocks	111.37	+0.50	—	5.74

FIXED INTEREST YIELDS — Br. Govt. Av. Gross Red.

			Tues. June 27	Mon. June 26	Year ago (approx.)
1	Low Coupons	5 years	[illegible]		
2		15 years	[illegible]		
3		25 years	[illegible]		
4	Medium Coupons	5 years	[illegible]		
5		15 years	[illegible]		
6		25 years	[illegible]		
7	High Coupons	5 years	[illegible]		
8		15 years	[illegible]		
9		25 years	[illegible]		
10	Irredeemables		[illegible]		

		Tuesday, June 27 Index No.	Yield %	Monday June 26	Friday June 23	Thurs. June 22	Wed. June 21	Tuesday June 20	Monday June 19	Friday June 16	Year ago (approx.)
15	20-yr. Red. Deb & Loans (15)	57.95	[illegible]								
16	Investment Trust Prefs. (15)	51.33	[illegible]								
17	Coml. and Indl. Prefs. (20)	70.98	[illegible]								

† Redemption yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 13p, by post 22p.

NOTICE OF REDEMPTION

To the Holders of

OWENS-CORNING FIBERGLAS FINANCE N.V.

(now Owens-Corning Fiberglas Corporation)

9% Guaranteed Sinking Fund Debentures due August 1, 1986

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of August 1, 1971, as supplemented, providing for the above Debentures, $1,000,000 principal amount of said Debentures bearing the following numbers have been selected for redemption on August 1, 1978, through operation of the Sinking Fund, at the redemption price of 100% of the principal amount thereof, together with the accrued interest to said date:

DEBENTURES OF $1,000 EACH

[illegible]

865	1982	3116	4485	5514	6725	7938	9042	10181	11487	12635	13673	15003	16008	17044	18274	19744
905	1994	3124	4487	5548	6745	7947	9043	10198	11515	12673	13732	15019	16009	17055	18316	19749
933	2013	3141	4527	5568	6764	7964	9060	10218	11517	12683	13763	15054	16042	17068	18325	19754
942	2014	3184	4541	5573	6781	7971	9072	10242	11521	12736	13773	15076	16051	17075	18328	19767
944	2030	3216	4581	5590	6804	8014	9086	10267	11540	12739	13783	15108	16053	17134	18342	19768
960	2046	3221	4584	5591	6817	8030	9088	10339	11566	12742	13793	15141	16058	17137	18347	19775
978	2069	3256	4585	5644	6849	8039	9102	10367	11594	12753	13833	15150	16068	17147	18372	19810
1024	2081	3275	4601	5652	6860	8058	9134	10368	11606	12766	13856	15172	16117	17160	18417	19843
1030	2094	3296	4603	5657	6879	8073	9149	10369	11619	12785	13869	15188	16160	17169	18424	19860
1048	2111	3306	4625	5737	6925	8092	9151	10371	11640	12807	13891	15205	16172	17215	18437	19861
1084	2160	3352	4649	5744	6926	8121	9169	10426	11685	12823	13922	15229	16174	17228	18459	19898
1094	2167	3369	4660	5749	6936	8150	9172	10434	11711	12832	13952	15231	16187	17238	18517	19913
1132	2203	3388	4704	5751	7017	8152	9188	10441	11719	12849	14083	15242	16197	17246	18536	19926
1162	2210	3402	4710	5762	7018	8179	9242	10452	11746	12850	14097	15248	16212	17260	18546	19962
1175	2235	3464	4716	5826	7025	8183	9261	10467	11757	12855	14106	15257	16221	17266	18573	19978
1209	2297	3468	4717	5849	7069	8189	9265	10479	11781	12866	14110	15304	16257	17280	18742	
1232	2305	3487	4732	5851	7101	8234	9269	10494	11813	12889	14159	15330	16271	17324	18831	
1243	2323	3495	4753	5879	7138	8283	9275	10539	11814	12906	14170	15333	16281	17356	18840	

On August 1, 1978, the Debentures designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for the payment of public and private debts. Said Debentures will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the **corporate trust office of Morgan Guaranty Trust Company of New York, 15 Broad Street, New York, N.Y. 10015** or (b) subject to any laws or regulations applicable thereto in the country of any of the following offices, at the main offices of Morgan Guaranty Trust Company of New York in Brussels, Frankfurt am Main, London, Paris, Zurich or the main offices of Bank Mees & Hope NV in Amsterdam, Kredietbank S.A. Luxembourgeoise in Luxembourg and Banca Vonwiller & C. S.p.A. in Milan. Payments at the offices referred to in (b) above will be made by check drawn on a bank in New York City or by a transfer to a dollar account maintained by the payee with a bank in New York City.

Coupons due August 1, 1978, should be detached and collected in the usual manner.

On and after August 1, 1978, interest shall cease to accrue on the Debentures herein designated for redemption.

OWENS-CORNING FIBERGLAS CORPORATION

Dated: June 28, 1978

NOTICE

The following Debentures previously called for redemption have not as yet been presented for payment:

DEBENTURES OF $1,000 EACH

M 302 347 1021 1140 1188 1428 3262 5449 6460 6653 8205 8334 8338 9523 10032 19726 19996
743 915 1134 1159 1315 3212 5442 5460 6654 6676 8226 8337 9467 9524 14068 19977 20000

INSURANCE, PROPERTY, BONDS

AUTHORISED UNIT TRUSTS

OFFSHORE AND OVERSEAS FUNDS

The next
Eurobond
Quotations & Yields
List
will be published on
Monday July 10th 1978

Keyselex Mngt., Jersey Ltd.

PO Box 98, St. Helier, Jersey. (Eng. 01-606 7070)

Fonselex	Frs1422	1502	......	2.90
Bondselex	Frs118.95	125.00	......	—
Keyselex Int'l	£6.61	7.29	......	—
Keyselex Europe	£3.96	4.46	......	3.70
Japan Gth. Fund	$US25.21	27.11	......	—
Keyselex Japan	£12.74	13.92	......	—
Cent. Assets Cap.	£153.94		......	......

Warburg Invest. Mngt. Jrsy. Ltd.

1. Charing Cross, St. Helier, Jsy. CI 0534 73741

CMF Ltd. May 25	$US12.12	12.46	......	—
CMT Ltd. May 25	£12.58	12.99	......	—
Metals Tst. June 16	£12.17	12.47	......	—
TMT June 8	$US10.57	10.85	......	—
TMT Ltd. June 8	£10.60	10.96	......	—

World Wide Growth Management♦

10a, Boulevard Royal, Luxembourg.

Worldwide Gth Fd	$US14.55	+0.01	—

NOTES

Prices do not include $ premium, except where indicated ‡, and are in pence unless otherwise indicated. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b To-day's prices. c Yield based on offer price. d Estimated. g To-day's opening price. h Distribution free of U.K. taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ♦ Net of tax on realised capital gains unless indicated by ϕ. ¶ Guernsey gross. # Suspended. ♦ Yield before Jersey tax. † Ex-subdivision.

BUILDING SOCIETY INTEREST RATES

GREENWICH
(01-858 8212)
281 Greenwich High Road, Greenwich, SE10 8NL.

*Deposit Rate 5.25. Share Accounts 5.60. Sub'pn Shares 6.75. Term Shares 2 yrs. ½% above share rate, 3 yrs. 1% above share rate. Interest paid Quarterly on shares/term shares. Monthly Income shares 5.60%.

LONDON GOLDHAWK
(01-995 3321)
15-17 Chiswick High Road, London W4 2NG.

Deposit Rate 6.45. Share Accounts 6.95. Sub'pn. Shares 8.20.

FT SHARE INFORMATION SERVICE

**BRITISH FUNDS

1978 High	Low	Stock	£	+ or —	Yield Int.	Red.
"Shorts" (Lives up to Five Years)						
99⅝	98⅝	Exch. 5pc '76-78††	98⅞	.....	5.06	9.47
105⅛	101⅛	Treasury 11½pc '79‡‡	101⅛	.....	11.35	9.42
97	94¼	Treasury 3pc '79‡‡	95⅝	−⅛	3.14	6.82
97⅞	95⅛	Electric 4¼pc '74-79	95¼	−⅛	4.44	7.85
104⅛	99⅞	Treasury 10½pc '79‡‡	100	+⅛	10.50	10.42
96½	94¼	Electric 3½pc '76-79	95⅞	−⅛	3.65	6.65
103⅝	96¾	Treasury 9pc 1980‡‡	97	+¼	9.28	10.96
102⅛	97⅛	Treasury 9½pc '80‡‡	97⅞	+⅛	9.74	10.94
95⅛	92⅞	Treasury 3½pc '77-80	93⅛	+⅛	3.76	7.32
96½	93¼	Funding 5¼pc '78-80‡‡	93½	+¼	5.61	8.92

Five to Fifteen Years

Over Fifteen Years

Undated

**INTERNATIONAL BANK

**CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

1978 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
20½	17	Antofagasta Rly	20½	.....	—	—
34½	33	Do 5pc Pref	34½xd	.....	—	—
98	98	Chilean Mixed	98	.....	3	£5.10
415	350	German Yng. 4½pc	405xd	.....	4½	—
54	46	Greek 7pc Ass.	54	.....	3½	£6.48
51	46	Do 6pc '28 Stab Ass.	51	.....	6	£6.80
44	40	Do 4pc Mixed Ass.	43	.....	4	£4.76
55	42	Hung. '24 Ass.	55	.....	4½	5.00
77	65	Ireland 6½pc '83-88	65xd	.....	—	12.60

BONDS & RAILS—Cont.

U.S. $ & DM prices exclude inv. $ premium

AMERICANS

S.E. List Premium 40⅞% (based on US$1.8467 per £) Conversion factor 0.6744 (0.6688)

CANADIANS

S.E. List Premium 40⅞% (based on $2.0798 per £)

BANKS AND HIRE PURCHASE

1978 High	Low	Stock	Price	+ or —	Div. Net	Cvr	Y'ld Gr's	P/E
69	52	[illegible]	[illegible]	.....	15.27	—	6.9	—
297	160	Joseph (Leo) £1	297	+7	8.61	—	6.8	—
52	37	Keyser Ullmann	47	−1	0.66	—	2.1	—
74	56	King & Shax 20p	56	−1	3.39	—	9.2	—
114	92	Kleinwort B.L.	95	−1	4.12	—	6.6	—
297	242	Lloyds £1	252	+2	9.09	5.5	5.5	5.1
50½	42	Manson Fin. 20p	45	.....	12.79	1.5	9.4	11.2
134	106	Mercury Secs.	109	−1	3.39	—	4.7	—
•390	330	Midland £1	342	+2	14.75	4.3	6.5	5.4
£92	£78	Do 7½% 83-93	£79	+1	Q7½%	21.1	f9.6	—
£95¼	£82½	Do 10¼% 93-98	£84¼	+¼	Q10¼%	21.1	e12.2	—
64½	56	Minster Assets	57	−½	3.55	2.5	9.4	6.5

BANKS & HP—Continued

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

CHEMICALS, PLASTICS—Cont.

CINEMAS, THEATRES AND TV

DRAPERY AND STORES

For Vernon Fashion see Bambers

ELECTRICAL AND RADIO

ENGINEERING MACHINE TOOLS

ENGINEERING—Continued

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

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هكذا من الأصل

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPBUILDERS, REPAIRERS

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INV. TRUSTS—Continued

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OILS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

CENTRAL RAND

[illegible]

EASTERN RAND

[illegible]

FAR WEST RAND

[illegible]

O.F.S.

[illegible]

FINANCE

[illegible]

DIAMOND AND PLATINUM

[illegible]

MINES—Continued

CENTRAL AFRICAN

[illegible]

AUSTRALIAN

[illegible]

TINS

[illegible]

COPPER

[illegible]

MISCELLANEOUS

[illegible]

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on the basis of net distribution; bracketed figures indicate 10 per cent. or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution. Yields are based on middle prices, are gross, adjusted to ACT of 34 per cent. and allow for value of declared distributions and rights. Securities with denominations other than sterling are quoted inclusive of the investment dollar premium.

- Δ Sterling denominated securities which include investment dollar premium.
- ● "Tap" Stock.
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- †† Unlisted security.
- ø Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issues cover relates to previous dividend or forecast.
- ** Free of Stamp Duty.
- ♣ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ♦ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ♥ Excluding a final dividend declaration.
- ♣ Regional price.
- Ⅱ No par value.

a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital: cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. r Australian currency. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend. P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. w Yield allows for currency clause. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. D Cover and P/E ratio exclude profits of U.K. aerospace subsidiaries. E Issue price. F Dividend and yield based on prospectus or other official estimates for 1977-78. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1976-77. K Figures based on prospectus or other official estimates for 1978. M Dividend and yield based on prospectus or other official estimates for 1978. N Dividend and yield based on prospectus or other official estimates for 1979. P Dividend and yield based on prospectus or other official estimates for 1977. Q Gross. T Figures assumed. U No significant Corporation Tax payable. Z Dividend total to date. ‡‡ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

"Recent Issues" and "Rights" Page 38

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

Albany Inv. 20p	23	......
Ash Spinning	45	......
Bertam	22	......
Bdg'wtr Est. 50p	267	......
Clover Croft	26	......
Craig & Rose £1	445	......
Dyson (R. A.) A.	37	......
Ellis & McHdy	61	......
Evered	18	......
Fife Forge	50	......
Finlay Pkg. 5p	23½	−½
Graig Ship. £1	153	......
Higsons Brew	75	−3
I.O.M. Stm. £1	150	......
Holt (Jos.) 25p	263	......
N'thn. Goldsmith	53	−2
Pearce (C. H.)	165	......
Peel Mills	20	......
Sheffield Brick	45	......
Sheff. Refrshmt.	52	......
Sindall (Wm.)	100	......

IRISH

Conv. 9% '80/82	£90¾	+⅛
Alliance Gas	73	......
Arnott	337	−3
Carroll (P.J.)	96	......
Clondalkin	94	......
Concrete Prods.	130	......
Heiton (Hldgs.)	44	......
Ins. Corp.	148	......
Irish Ropes	130	......
Jacob	65	......
Sunbeam	32	+2
T.M.G.	170	......
Unidare	90	......

OPTIONS
3-month Call Rates

Industrials					
A. Brew	6½	I.C.I.	20	Tube Invest.	30
A.P. Cement	18	"Imps"	6	Unilever	35
B.S.R.	9	I.C.L.	20	Utd. Drapery	7½
Babcock	11	Inveresk	8	Vickers	15
Barclays Bank	25	KCA	3	Woolworths	5
Beecham	35	Ladbroke	17	**Property**	
Boots Drug	15	Legal & Gen.	14	Brit. Land	3¾
Bowaters	16	Lex Service	7	Cap. Counties	4½
B.A.T.	24	Lloyds Bank	22	E.P.	5
British Oxygen	6	"Lofs"	4	Intreuropean	4
Brown (J.)	20	London Brick	5	Land Secs.	16
Burton 'A'	12	Lonrho	5	MEPC	12
Cadburys	5	Lucas Inds.	25	Peachey	8
Courtaulds	10	Lyons (J.)	10	Samuel Props.	9
Debenhams	8	"Mams"	7	Town & City	1¼
Distillers	15	Mrks. & Spncr	10	**Oils**	
Dunlop	7	Midland Bank	25	Brit. Petroleum	45
Eagle Star	11	N.E.I.	12	Burmah Oil	5
E.M.I.	14	Nat. West. Bank	22	Charterhall	3
Gen. Accident	17	Do. Warrants	10	Shell	28
Gen. Electric	18	P & O Dfd.	8	Ultramar	20
Glaxo	40	Plessey	8	**Mines**	
Grand Met.	9	R.H.M.	5	Charter Cons.	12
G.U.S. 'A'	20	Rank Org. 'A'	18	Cons. Gold	14
Guardian	16	Reed Intnl.	12	Rio T. Zinc	16
G.K.N.	22	Spillers	3		
Hawker Sidd.	20	Tesco	4		
House of Fraser	12	Thorn	22		
		Trust Houses	15		

A selection of Options traded is given on the London Stock Exchange Report page

FINANCIAL TIMES
Wednesday June 28 1978

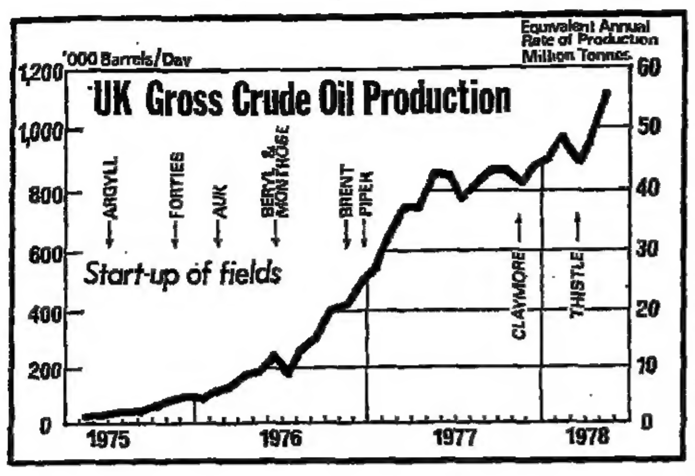
North Sea oil output meets 60% of needs

BY RAY DAFTER, ENERGY CORRESPONDENT

PRODUCTION of crude oil from the UK sector of the North Sea *has broken through the 1m barrels a day barrier for the first time.*

This means that about 60 per cent of Britain's oil needs are *being met from its own fields.*

Mr. Anthony Wedgwood Benn, Energy Secretary, yesterday described the build-up in production as a "magnificent achievement." It was a "significant milestone on our way to making the UK into one of the world's major oil producers."



The record May production rate of 1.1m barrels a day makes *the U.K. the world's 16th largest* oil producer, ranking ahead of Argentina and several member *states in the Organisation of* Petroleum Exporting Countries. Britain will soon be extracting *as much oil as Algeria or Mexico.*

Mr. Benn said the build-up was proof that the partnership between the Government, the oil companies and the state-owned British National Oil Corporation was working successfully.

Since oil production on the UK side of the North Sea began three years ago some 70m tonnes had been extracted. More than half of this oil was produced last year.

Of the 38m tonnes produced last year, 55 per cent was refined in the UK. The remaining 16m *tonnes* were exported to the Bahamas and Netherlands West Indies (mainly for *re-export to the* U.S.): to Belgium, Canada, Denmark, West Germany, Finland, France, *the Netherlands, Norway,* Sweden and the U.S.

There are nine oil fields on stream *with a further nine* under development. Two of these — Ninian and Heather — are expected on stream later this year followed by Buchan, *Cormorant South, Dunlin and* UK Statfjord in 1979, Murchison in 1980 and Fulmer and Tartan *in 1981.*

It is known that several offshore groups are evaluating other fields which could be declared as commercial ventures in the near future. They include the Phillips Group's Maureen Field, British Petroleum's Magnus Field — a £1.25bn development approved by the BP board but still awaiting Government sanction — and Mesa Petroleum's Beatrice Field, which should receive government approval within the next few months.

In addition it is expected that *Marathon and its partners in the* Brae Field on block 16/7 will soon be in a position at least to *consider a development scheme* for the southern section of the structure. Industry reports *suggest that the latest Brae well* —the 13th to be sunk on the block —is providing encouraging data.

Stockbrokers Wood, Mackenzie reported that the southern por*tion of Brae might be regarded* as a commercial field with some 200m barrels of recoverable oil. *Another broker, Gilbert Eliott* said that reserves of South Brae might be nearer 500m barrels.

Much industry interest is centred on the exploration area to the west of the Shetland Islands where British Petroleum has been drilling on block 206/8 close to a well which flowed at the rate of 2,900 barrels a day last year. BP said yesterday that the drilling rig Sea Conquest had not yet finished operations.

However, there are strong indications that BP is drilling on a large structure, containing substantial quantities of oil which could extend into several neighbouring blocks, among them Amoco's 206/9, Elf/Conoco's 206/7 and Exxon's 206/12 and 206/13. Exxon has already made *a discovery on what is thought to be a different structure in block* 206/12: this well flowed at the rate of 630 b/d.

Record exports cut U.S. trade gap to $2.24 bn

BY JUREK MARTIN, U.S. EDITOR WASHINGTON, June 27.

THE U.S. trade deficit narrowed appreciably in May to $2.24bn (£1.21bn), the lowest figure since September last year and $523m (£282.7m) below the April level.

Although warning against reading too much into a single month's performance, Administration officials hope that it will mark the start of a trend to smaller deficits that they predicted would show up as the year progressed.

In May, exports rose by about 1 per cent to $11.75bn, an all-time record, while imports fell 3.5 per cent to a fraction under $14bn. Over the first five months of the year, exports have been running at an annual rate 7 per *cent higher than last year.*

The principal spur to improvement last month lay in foreign *sales of agricultural items,* mainly food, live animals and soyabeans, though some industrial sectors, including electrical machinery and metal fabricated structures, also did well.

A major factor in the fall in imports was the sharp decline in purchases of foreign iron and steel sheets and plates.

This, the Administration believes, reflects the fact that the reference price system covering imported steel was fully effective in May—in the first four months of the year, the trade figures had *shown* sharp increases in steel imports as suppliers sought to beat the implementation of the new system.

Coincidentally, the Treasury *announced it was investigating* five cases of the import of steel (none from Japan) at below the reference prices. It may *institute* anti-dumping proceedings as a result.

The reference price system actually took effect in February, but because of unavoidable administrative delays a grace period for flat rolled produces and rods was extended until April 30.

Imports of cars, coffee, meat and machinery also fell in May. Purchases of foreign oil, however, continued to rise, going up *in May by nearly 6 per cent* (seasonally adjusted) compared with April, which had also *shown an appreciable advance.*

Last month's improvement still means that the trade deficit this *year is running at well above* 1977s record pace. In fact, the gap has widened since May last year produced the smallest deficit—a mere $647m.

Over the first five months, the deficit has amounted to $14.77bn, well up on the $8.25bn of the same period last year.

Extrapolating the 7 per cent annual rate of increase in exports and the 12 per cent advance in imports achieved so far this year implies an annual deficit of over $35bn, $10bn more than last year.

THE LEX COLUMN

Why BAT's growth has slowed

BAT now thinks that its attributable profits *for 1977-78* will "probably" fall a bit short of last year's £210m, whereas three months ago it was hoping for an unchanged outcome. But yesterday's interim statement may err on the conservative side especially if, as now seems likely, its recent move to raise prices in the U.S. is followed by the competition. Any shortfall in earnings is likely to be strictly marginal.

There are three main reasons for this sluggish performance. *Volume growth in tobacco* around the world is still bouyant (at 4 or 5 per cent) and the acquisition of the Lorillard brands could have *added* roughly £7m to the half-year figures. But operating profits on tobacco are only fractionally ahead at £171m, reflecting a further contraction in market share in the U.S.—down from 16 to 15.3 per cent over the year—and lower profits in the UK. Here, BAT still says that the launch of State Express 555 will cost no more than £5m this year—but it has also had to cope with lower *profits on exports, which are* invoiced in dollars.

In addition, price competition in the UK has pushed the trading operations of Interna*tional Stores marginally* into the red. And Gimbels in the U.S., still seems to be having problems. The final point is that BAT's tax charge is set to *rise from last year's unusually* low figure.

Looking at the positive side, BAT has increased its dividends so far by a quarter, and has a "continuing desire" to compensate shareholders for the ravages of inflation. If it is allowed to do the same with the full year's dividend, the payment would be well over twice covered and the yield at 310p would be 8 per cent.

Index rose 3.3 to 456.3

Standard Chartered

Hopes of £130m pre-tax from Standard Chartered proved a *little optimistic,* and a figure of £126.1m reflects the absence of any significant overall growth in the second six months. All but £1.4m of the advance from the previous year's *£109.9m* came in the first half. But it looks as though there could have been a modest underlying uptrend, for whereas currency movements gave a boost to the 1976-77 figures, the firmness of sterling took the edge off the group's consolidated returns in the second six months.

South Africa was an impor*tant recovery area for the group* last year, with Stanbic pushing its operating profits up 42 per cent to R54.5m thanks largely to the absence of the previous year's R12m Glen Anil provision. And at home the Hodge Group must have had a good year thanks to falling interest rates and improving credit demand. Elsewhere, however, it looks as though the general sluggishness of world trade was the dominant influence. And income from associated companies fell back in the second six months, apparently because of poor bad debt experience in *Nigeria.*

At 385p the shares now yield 7.9 per cent, and the p/e is no more than 4.7. This is a cautious rating, but clearly the *market is wary about the possi*bility of a rights issue to help finance the ambitious Californian takeover. This deal may not be finalised until early next year and meanwhile the prospect of a nine-month trading period adds a little further to the arithmetical uncertainties.

The Fourth Directive

The EEC council of ministers decision late yesterday afternoon to approve the fourth directive on company accounts is another reminder that Britain can no longer decide its own company law in a vacuum.

The Department of Trade has still not decided exactly *how* the directive will be brought into UK company law, but it is to be hoped that the measures, though intended to apply only to individual company accounts, will be implemented here as relating to consolidated financial statements. This being so, a number of intriguing questions arise.

Article 33 (b) of the directive, for example, states that fixed assets with a limited useful economic life shall be depreciated. It would appear from this that property investment *companies, while winning their* battle with the Accounting Standards Committee, may have lost their war to avoid having to depreciate buildings. It certainly bodes ill for those other companies like breweries (and maybe hotels?) which are contemplating whether to ask the ASC for exemption from the depreciation standard, SSAP12.

Another clause for some companies to think about is article 41.12 which more or less says that where a company's profit has been affected "with a view to obtaining tax relief" the extent of this distortion must be disclosed. Again, article 34.2 talks about amortisation of goodwill over a period which does not exceed the useful economic life of the asset.

Whether there will be important benefits for shareholders will depend on which of the alternative formats for the p and l account are legislated for. Only the one which provides for an analysis of expenditure into various expense categories will add anything new. Elsewhere, there is a requirement for companies to report on important post-balance sheet events and the likely course of their future development. And much interest is likely to centre on whether the Government will take advantage of the directive's concessions to ease disclosure and audit requirements for smaller companies.

David S. Smith

Coming just a few weeks after W. N. Sharpe's capital reconstruction scheme the news of a broadly similar proposal by David S. Smith bring confirmation that the Inland Revenue is taking a more flexible attitude to the distribution of surplus cash by companies to their shareholders. Smith is paying *back £1.6m to shareholders,* and the Revenue has accepted that this is a repayment of capital under Section 460 of the Income and Corporation Taxes Act 1970. *Both these cases show* that a much broader view is being taken of what are "commercial reasons" for giving money back.

Muzorewa officials die in peace talks bid

BY OUR FOREIGN STAFF

THE SALISBURY Government's apparent inability to end the Rhodesian war was underlined afresh yesterday when Bishop Abel Muzorewa's United African National Council announced that four of its officials had been killed while organising peace talks with guerrillas in the bush.

At the same time, the Government disclosed that a further *37 people had died in the war* during the previous 48 hours, including 19 black civilians.

The reports came amid pressure in the Conservative Party in London for a Commons motion censuring Dr. David Owen, the Foreign Secretary, for his Rhodesia policy. Mrs. Maragaret Thatcher, the Conservative leader, is considering *sending a personal envoy,* probably Mr. John Davies, shadow Foreign Secretary, to Rhodesia *on a fact-finding mission.*

Far from ending, the Rhodesian war appears to be increasing. The *latest deaths follow the killing* last Friday of 12 British missionaries and their children near the eastern border with Mozambique. Earlier this month 22 black civilians were killed at a village near Salisbury during a clash between security forces and guerrillas. In a separate incident at the start of June, four supporters of the Rev. Ndabaningi Sithole's Zimbabwe African National Union were killed by guerrillas as they campaigned in favour of the Salisbury settlement agreement, to which Bishop Muzorewa and Mr. Sithole are parties.

In Salisbury yesterday, Professor Stanlake Samkange, spokesman for Bishop Muzorewa's UANC, said the four dead officials had been killed last week trying to organise talks with guerrillas in the South-east of the country. One was the Rev. Ephraim Chiduka, a UANC central committee member responsible for cultural and social development.

Vehicle burnt

Professor Samkange could not give details of how the men died or say who was responsible. But unofficial reports reaching London said they had been shot by guerrillas at a pre-arranged venue near Fort Victoria for peace overtures.

A military spokesman said troops had *found a burnt-out* UANC vehicle, but it had not been established what had *happened to the occupants.*

Announcing the 37 new deaths the Rhodesian Government *blamed* those of the black civilians on the nationalist guerrillas. A military communique said one *family of eight,* headed by a farmer, had been lined up and shot at their homestead in central Rhodesia. The bodies of the family, which included three children, one aged six months, had been burnt in a hut.

● Richard Evans writes: The *Conservative leadership* was urged at a meeting of the party's Foreign Affairs Committee at the Commons last night to ensure that Mrs. Thatcher's personal envoy to Rhodesia took to Salisbury a positive message of support for the internal settlement.

A major debate on Rhodesia was also urged before the Commons rises for the summer recess at the end of July, and there was pressure for a motion cen*suring Dr. Owen.*

Party managers were not committing themselves last night but *there is the prospect of a censure* motion halving Dr. Owen's salary, similar to that against Mr. Denis Healey, Chancellor of the Exchequer, a fortnight ago. Mr. Callaghan had to make that an issue of confidence to avoid an immediate general election.

An announcement that Mr. Davies will visit Salisbury is expected to be made when he *returns from Luxembourg.*

What shocked Conservatives during Commons exchanges on *Monday* was not only Dr. Owen's refusal to condemn the Patriotic Front for the missionaries' *massacre but his continuing* non-committal attitude towards the internal settlement.

● Twenty-one friends and relatives of the families killed in the Elim Pentecostal Mission massacre *left* London for Rhodesia yesterday.

Gloom in Salisbury Page 18

West German trade surplus fell in May

BY JONATHAN CARR BONN, June 27.

WEST GERMANY'S trade surplus dropped sharply in May—and the accumulated surplus for the first five months is now lower than in the same period a year earlier.

It would be dangerous to suggest on the basis of the latest figures that the trend is now firmly down. Indeed, there are some signs that German exporters are recovering their spirits after the severe currency turbulence at around the start of the year.

Nonetheless, the trade figures for the first five months, released today by the Federal Statistical *Office in Wiesbaden,* are the *last* to become available before the Western economic summit conference here on *July 16 and 17.* They provide a useful defence for the Bonn Government against foreign critics of West Germany's big—and, in the first third of this year, increasing—trade surplus.

The trade surplus in May totalled DM3bn (£781m) — with exports worth DM22.5bn (£5.86bn) and imports worth DM19.5bn (£5.078bn). In April, *the surplus was DM3.3bn and in* May last year DM3.6bn. The trade surplus for the first five *months totals DM15bn (£3.906bn)* against DM15.4bn in the same period of 1977.

The surplus on current account — after allowing for the traditional German deficits on services and transfers — was *also* down in May. It *totalled* DM600m against DM1.6bn in April and DM1.2bn in May, 1977.

However, the current account surplus for the first five months at DM5.4bn (£1.4bn) was DM1bn (£260m) higher than in the same period last year. Despite the trade surplus fall, the new figures hardly confirm the worst fears of German exporters when the dollar plunged a few months ago to below DM2, carrying down with it the currencies of *several* of Bonn's leading trade partners.

Since then the dollar has *strengthened and the Deutsche*mark has halted its former hectic rise. Indeed the German currency now stands at a *lower* level against those of key trading nations such as France, Italy, Holland, Switzerland, Sweden and Japan than it did at the end of last year.

But neither the trade figures nor the movement of the Deutschemark over only a few months can tell the full story.

Many German exporters claim that the accumulated upward movement of the Deutschemark over years means they are now *hanging on* to foreign markets only with reduced profits. That means less funds available for *investment and less scope* for an economic upswing at home.

Japanese surplus forecast Page 5

UK motor insurers show £20m loss for year

BY ERIC SHORT

BRITISH insurance companies lost £20m on their motor insurance business last year, the British Insurance Association (BIA) disclosed yesterday.

The loss was the highest since the bad years of 1969 to 1971, when the removal of mutually agreed motor insurance tariffs resulted in unbridled rate-cutting.

Nevertheless, Mr. Geoffrey Haslam, outgoing chairman of the association, pointed out *yesterday,* last year's losses were only 2.3 per cent of premiums. The shortfall *reflected* a *deteriorating* situation, but inflation had pushed up premium income *substantially* since 1970.

There were 14 per cent more claims last year than in 1976, while the average cost of settling them was up by more *than 15 per cent.*

Overall, insurance companies last year reported much better trading, especially in the U.S. Underwriting there, for many years a difficult area, showed a profit of £200,000 against a loss of £71.7m in 1976. In the UK underwriting losses were cut to £28m from £37.6m in the previous year.

Overall, the underwriting loss on worldwide general business fell to £54.1m, or 0.9 per cent of premiums, from *£150m in 1976* (2.6 per cent of premiums).

Premium income rose by 6.9 per cent to £6.46bn. Investment income on general funds jumped by £99m to £730m and the net surplus of UK insurance companies on their general business increased to £676m from £481m in 1976.

UK fire and accident business showed an improving trend from the very heavy losses in 1976, although fire damage increased in November and December, when the firemen were on strike, and difficulties continued in the householder account relating to *under-insurance, subsidence* and increasing theft claims.

There were warnings from some *BIA* members that premium rates on household contents insurance would have to be raised.

Public must pay more to insure home contents, Page 8

Belfast may win U.S. car plant

BY KENNETH GOODING, INDUSTRIAL CORRESPONDENT

THE GOVERNMENT may offer grants of up to £10m towards a sports car assembly project in Northern Ireland which American investors were warned was a high-risk venture and in which the Irish Government was unwilling to invest all the cash asked for.

Behind the scheme is Mr. John DeLorean, who resigned as a vice-president of General Motors in 1973. He is close to agreement with the Northern Ireland Department of Commerce about setting up an assembly plant just outside Belfast.

Mr. DeLorean had been negotiating with the Irish Government to take over the former Ferenka tyre cord factory in Limerick. It has been suggested he was then attracted to Ulster by UK Government grants of up to 50 per cent, of initial costs which could total £20m.

But the Irish Industrial Development Authority denied last night it was outbid by superior British grants. "We examined the *project* and were unwilling to invest as much money as the American company wanted."

Mr. DeLorean's scheme to build a high priced, high-performance sports car for the U.S. market is backed by American investors who were *told last year* that it was a high-risk venture.

The prospectus filed with the Securities and Exchange Commission stated: "Only investors who can afford a total loss of the minimum investment of £25,000 should apply." It was also *suggested that previously* untried construction techniques and materials would be used.

Mr. DeLorean's original intention was to site his assembly plant in Puerto Rico. Now he is interested in a factory at Dunmurry, about six miles south of Belfast, *where it would draw its* labour force mainly from Roman Catholic West Belfast.

This is an area where traditional employment has been in decline, with unemployment running at more than 20 per cent at times during the last ten years of violence.

The plant would need an initial labour force of 1,000, which would double if the *project* proved successful. So its attraction for the UK Government is *obvious.*

Singer workers reject cuts

BY JOHN LLOYD

THE 4,800-strong workforce at *the Singer factory,* Clydebank, yesterday rejected the management plan for a cut of more than 2,800 jobs over the next four years.

At a mass meeting, the Singer workers voted to set up a committee to produce an alternative *strategy for the plant in the next* few months.

Mr. John McFadyen, the shop *stewards' convenor* at the plant, said afterwards that the company had given the workers a four-month breathing space which they would use to present a proposal for investment over and above the £8m promised by Singer and for the retention of employment at present levels.

If Singer refuses to provide any further investment, it is expected that the Scottish Development Agency will be *asked to invest in the plant.*

Representatives of the Singer workforce are to see officials of the Scottish Economic Development Board today and will meet a group of Scottish Labour MPs on Friday.

Weather

UK TODAY

DRY in S. Rain in N.

London, S.E., Cent. S. and S.W. England, E. Anglia, Midlands, Channel Is., S. Wales

Cloudy, bright intervals. Max. 19C (66F).

N.W., Cent. N. and N.E. England, *N. Wales, Lakes, Is. of Man*

Cloudy, occasional rain or drizzle. Max. 15C (59F).

Scotland, N. Ireland

Rain at times, becoming brighter, with showers. Max. 13C (55F).

Outlook: Changeable.

Pollen count: 39 (low).

BUSINESS CENTRES

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Amstrdm.	C	12	54	Luxembrg.	C	10	50
Athens	S	30	86	Madrid	S	21	70
Bahrain	S	34	93	Manchstr.	C	13	55
Barcelona	S	19	66	Melbourne	C	12	54
Beirut	S	28	82	Milan	F	21	70
Belfast	C	12	54	Montreal	C	22	72
Belgrade	C	17	63	Moscow	F	27	81
Berlin	R	13	55	Munich	C	12	54
Birmghm.	C	12	54	Newcastle	C	13	55
Bristol	C	14	57	New York	H	25	77
Brussels	C	14	57	Oslo	F	21	70
Budapest	C	17	63	Paris	C	16	61
B. Aires	R	14	57	Perth	C	19	66
Cairo	S	39	102	Prague	C	14	57
Cardiff	C	12	54	Reykjavik	C	10	50
Chicago	S	24	75	Rio de J'o	S	27	91
Cologne	C	13	55	Rome	R	18	64
Copnhagn.	F	17	63	Singapore	R	23	73
Dublin	C	14	57	Stockholm	C	18	64
Edinbrgh.	C	16	61	Strasbrg.	C	13	55
Frankfurt	C	15	59	Sydney	R	18	68
Geneva	R	11	52	Tehran	S	27	81
Glasgow	R	12	54	Tel Aviv	S	29	84
Helsinki	C	19	66	Tokyo	C	24	75
H. Kong	C	29	84	Toronto	H	27	81
Jo'burg	S	16	61	Vienna	F	19	66
Lisbon	S	25	77	Warsaw	C	16	61
London	C	14	57	Zurich	R	11	52

HOLIDAY RESORTS

		Y'day mid-day °C	°F			Y'day mid-day °C	°F
Ajaccio	F	21	70	Jersey	C	13	55
Algiers	S	23	73	Las Plms.	S	22	72
Biarritz	C	17	63	Locarno	F	21	70
Blackpool	C	14	57	Luxor	F	21	70
Bordeaux	C	17	63	Majorca	S	22	72
Boulogne	C	13	55	Malaga	S	24	75
Casablnca.	S	28	82	Malta	S	24	75
Cape Town	S	17	63	Nairobi	C	20	68
Corfu	R	24	75	Naples	F	21	70
Dubrovnik	T	21	70	Nice	S	19	66
Florence	C	17	63	Oporto	S	19	66
Funchal	C	21	70	Rhodes	S	29	84
Gibraltar	S	21	70	Salzburg	C	12	54
Guernsey	C	13	55	Tangier	S	24	75
Innsbruck	R	15	59	Tenerife	S	20	68
Inverness	C	16	61	Tunis	F	25	77
I. of Man	R	11	52	Valencia	S	22	72
Istanbul	S	26	79	Venice	F	22	72

S—Sunny. F—Fair. C—Cloudy. R—Rain. T—Thunder. H—Hazy.

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